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## GENERAL

### **View of United Nations, 'Historical Change'** *40050163 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 51, 19 Dec 88 pp 25-26*

[Text] A historical change is taking place in the world today. The United Nations, which is the largest international organization with the broadest representation and greatest influence worldwide, is undergoing change. Not only is it like a mirror objectively reflecting changes on the international horizon, it is also bouncing off beams of light which affect the international situation.

At the 43rd Plenary Session of the General Assembly this year, the atmosphere was more harmonious than at any previous meetings, with more agreement than dissension, reflecting a general tendency of the international situation toward moderation and discussion. In this atmosphere, the United Nations is playing an increasingly important role in maintaining peace and promoting international cooperation.

#### **Unprecedented Results**

In the history of the United Nations, 1988 is recognized as the "year full of good omens for peace." The Geneva Talks sponsored by the United Nations on the Afghanistan problem which had been ongoing for seven years finally led to agreement in April when the Soviet Union began withdrawing its troops. The 8-year-old Iran-Iraq war also reached a cease-fire in August, after more than a year of patient mediation by United Nations Secretary General Javier Perez de Cuellar, in accordance with Resolution 598 passed last year [1987] by the Security Council. The UN peace-keeping forces are thus found spread from the Golan Heights, Cyprus, and southern Lebanon to Afghanistan and Pakistan, and to Iran and Iraq. The Nobel Committee also decided to bestow the 1988 Nobel Prize for Peace to the UN peace-keeping forces, in recognition of the United Nations for its contribution.

What is exciting is that new opportunities have appeared with respect to long standing problems encountered by the United Nations in Namibia, Western Sahara, and Cyprus. Following agreement between South Africa, Angola, and Cuba regarding the Namibia problem and withdrawal of Cuban troops, there is hope for Resolution 435, passed ten years ago by the Security Council on independence for Namibia. In August, the United Nations Secretary-General also proposed a plan to resolve the Western Sahara and Cyprus problems, which had already been agreed to in principle by the parties concerned. The United Nations is now in the process of setting up peace-keeping forces to be sent to Namibia and Western Sahara.

Apart from regional conflicts, the United Nations has also made great progress in pushing multilateral and bilateral disarmament. In other areas, such as reforming

the irrational international economic relationships, and resolving common problems faced by mankind with respect to the environment, population growth, public health, scientific and technical developments, the United Nations has also made great contributions and showed its great potential.

#### **Many Factors in Its Revival**

In the 43 years of its existence, the United Nations has come a long and winding way. Generally speaking, it has experienced more setbacks than successes in dealing with important political problems. Now, why is it able today, to achieve such outstanding accomplishments? The commonly held view considers the following factors.

Firstly, the improvement in Soviet-U.S. relations. Not only did this lead to developments in the whole East-West relationship, it also eased international tension, and provided the United Nations with new opportunities to effectively fulfill its mission.

During the long cold war period, the Soviet Union and the United States each regarded the United Nations as their battlefield for world domination. Whenever a vote came up, they would play antagonist games of "If you vote yes, I will vote no." In the Security Council, they took turns exercising their veto power, so it was difficult for the United Nations to find any solution for great problems. Under such conditions, it was difficult for the United Nations to get anything done.

In recent years, following an easing up in the U.S.-Soviet relationship, the two parties have been talking to, instead of shouting at each other at the United Nations. Occasions where delegates of the two countries mutually reprimand each other have diminished considerably, personal attacks are seen even less frequently, and both sides have been able to sit down politely to discuss and resolve problems. During this year's General Assembly, the Soviet Union's representative was even more accommodating, hardly provocative, and refusing generally to strike back at the few critical comments from the United States or other western nation directed at them, but opting instead to give a direct explanation or mild reply when necessary. Such an atmosphere of moderation between superpowers had an obvious and direct effect on other member nations. Contentious debate between other national delegates also diminished and the number of unanimous resolutions passed increased. If this state of affairs can be maintained and continued, it will help the United Nations to exercise its potential even more.

Secondly, global multipolarization has broken the superpowers' control. For a time, the United Nations was basically controlled by the United States, using it as a tool to interfere in the internal politics of other countries. In 1950, the United States manipulated the Security Council to pass the resolution sending troops to Korea under the banner of the United Nations, and wrote a not very pleasant page in the history of the

United Nations. Shortly thereafter, the United States and the Soviet Union organized two separate military organizations—the North Atlantic Treaty Organization and the Warsaw Pact Organization, forming two opposing forces and two polarized systems in the world. They each sought to dominate different parts of the world to establish their control, with little regard for the responsibility of the United Nations.

In recent years, following a further trend in the world toward multipolarization, the mutual relationships between nations became stronger, and political, economic, and social problems of a global nature could not be solved by one or two superpowers. Under these conditions, the United Nations became the important stage for multilateral diplomacy, and the Soviet Union and the United States could not but re-evaluate the importance of the United Nations. The deep feelings expressed by the Soviet Union in accepting UN mediation in the Afghanistan problem, and those shown by the United States during UN mediation in the Iran-Iraq conflict demonstrated that they could not, singly or jointly, resolve these problems. They could only depend on the power of the United Nations.

At the same time, the United States and the Soviet Union had to make a corresponding adjustment to UN policy. In September, the Soviet leader Gorbachev introduced a series of proposals that would strengthen the United Nations, particularly the role of the Security Council, and pledged to pay in full, the Soviet Union's share of UN upkeep and other expenses, including arrears. In his speech before the United Nations General Assembly this year, he further clarified the Soviet Union's new policy toward the United Nations. This is a great change in the Soviet Union's attitude toward the United Nations. Before the opening of the General Assembly this year, the American President Reagan also announced that the United States would pay up on all dues owed the United Nations. He followed with a speech to the General Assembly praising the accomplishments of the United Nations. Multipolarization which has brought on a change in the attitude of the superpowers is an important factor behind the United Nation's revival.

Thirdly, the active influence of a spirit among Third World countries to be practical and realistic. Since the 1970's, the Third World countries have become an increasingly strong political force in international matters, with direct contributions to their credit. In recent years, they have substituted a practical and realistic attitude for the "radical" stance in which they have always been regarded by the West, a move that proved to be very important in changing the United Nations around, particularly in the regulation of North-South relationships.

This was first seen in the way internal strife and conflicts within the Third World was dealt with. Many countries went through the process of going through the United Nations and cooperating with it to find political solutions so that peace could be restored for them to concentrate on

national reconstruction. With respect to North-South relationships, the Third World countries adopted a rather practical attitude—turning from urgent long-range goals to build a new international economic order, to resolving concrete problems such as debts, business, trade, etc., by proposing some practical ideas and conditions. Overall, this new attitude has been helpful for Third World countries, within the scope of the United Nations, to find more international cooperation that will stimulate a dialogue between North and South to resolve the urgent political and economic problems facing them.

Fourthly, further improvements in the operation of the United Nations. In particular, the roles of the Security Council and the Secretary-General have been further enhanced, thereby increasing the United Nations's efficiency in carrying out its work and solving problems. During mediation of the Iran-Iraq conflict last year, the Security Council created a new formula. The five permanent members on the Security Council—China, the United States, the Soviet Union, Great Britain, and France—would first discuss a draft of a resolution or announcement thoroughly among themselves. Then after further consultation with all the non-permanent member nations on the Council for their views, and respecting the wishes of the broad UN membership base, they would reach a consensus. During executive session, the five great powers were usually able to maintain unanimity. For the last year and a half, the Security Council has been able to practice this type of unanimous agreement and cooperation. Such a situation is unprecedented.

At the same time, by having the United Nations Secretary-General and the Security Council working closely together and moving to resolve international disputes, outstanding results have been accomplished. The Secretary-General is the highest ranking administrative officer of the United Nations, shouldering the operation responsibility of the Secretariat, and carrying out duties assigned him by the Security Council, which includes keeping the peace, mediating conflicts, and promoting international cooperation. His efforts for success are determined by two basic conditions: a firm belief in justice and impartiality, and the full support and cooperation from the broad range of member nations, and all members of the Security Council. In his efforts toward achieving peace, the patience and perseverance shown by the Secretary-General, and his talent for finding common ground in conflict situations that can lead to a solution acceptable to both parties, have received wide praise from the international community.

#### **The Responsibilities Are Great, the Road Is Long**

Following a rise in the United Nations's prestige, the international community's expectations of the United Nations have also grown. Although international tension is obviously eased, it cannot be said that peace now reigns and there is no more trouble. As de Cuellar pointed out, "Some tension and danger spots are still seen or incubating on the international front. We are

facing complex problems in need of solution, and there is no excuse for us to congratulate ourselves."

Firstly, because of continuous developments in the trend toward multipolarization, multilateral diplomacy will become increasingly important, and more and more problems of a global nature and international matters will be brought to the United Nations for resolution or discussion. This includes additional mutual problems facing mankind now and in the future, brought to the United Nations by nations of the world, including the superpowers, for help from the United Nations to find solution.

Secondly, regional conflicts require continuous efforts by the United Nations to strengthen results already attained, and to expand on its successes. Even though the United States and the Soviet Union have come to some agreement on reducing forces, the armament race between them is still aimed toward high technology and developments in space. For this reason, the United Nations still shoulders the complex and difficult task of pushing for bilateral and multilateral disarmament.

Thirdly, economic and social problems, which are also development problems, will become the important task of the United Nations in the future. Though the economy of the prosperous nations is showing sustained growth at present, the developing countries comprising two-thirds of the total world population are still facing serious poverty and inadequate development. Heavy debts and worsening international trade conditions seriously impede their developing economy, and the contrast between North and South, and rich and poor, become increasingly greater. At the United Nations General Assembly this year, delegates of most member nations agree that now is the time for the problem of development to be placed on the top of the international agenda.

History has proven that the world needs the existence of a United Nations, and the United Nations needs support from the world's nations. A changing and multi-polarized world further needs a United Nations that can effectively coordinate the actions of various nations, maintain peace, and promote development, a United Nations that can, with total support from all its member nations, build with them, an even better world in accordance with the United Nations Charter—a world of peace, prosperity, equality, and cooperation.

**Gorbachev's Disarmament Plan Examined**  
*40050158a Shanghai SHIJIE JINGJI DAobao*  
*in Chinese 12 Dec 88 p 1, 2*

[Article: "Gorbachev Surprised the West Again; Announced Unilateral and Unconditional Large-scale Disarmament, Killing Several Birds with One Stone; NATO Reaction Intense and Cautious."]

[Text] Washington correspondent Fan Muping [5672 1970 1627] reports: Although Soviet leader Gorbachev

had to leave New York a day early due to the earthquake in his country, his early "Christmas present" startled the entire Western world to one degree or another. On 7 December, in his first address to the United Nations, Gorbachev announced that the Soviet Union had decided unilaterally and unconditionally to reduce greatly its conventional armaments, primarily including a troop reduction of 500,000 within two years; withdrawal and disbanding of six tank divisions from East Germany, Czechoslovakia, and Hungary by 1991; reduction of armed forces stationed in Eastern European allied countries and the European part of the Soviet Union, including 10,000 tanks, 8,500 artillery systems, and 800 combat aircraft; a substantial reduction of Soviet troops stationed in Mongolia within two years.

Arms reduction of such scale and scope was something unexpected by Western military and diplomatic specialists and immediately provoked intense and cautious echoes in Europe and the U.S.

U.S. President Reagan said at the time that if the disarmament decision could be fully implemented rapidly, "history will view it as important and significant." In London, British Prime Minister Mrs Thatcher welcomed the disarmament decision and said "considering the Soviet Union's current overwhelming dominance (in European armament)," this is "an important step in the direction of insuring the achievement of a better military balance in Europe." West German Chancellor Kohl also felt that Gorbachev's announcement was "an important step in the right direction," and said that these arms reductions "to a great measure address the concerns of the West."

However, at the same time specialists also issued warnings. Although the scale of the disarmament approved by Gorbachev is large, it still does not eliminate the Warsaw Pact dominance over NATO. For example, based on NATO figures, withdrawing 10,000 tanks will reduce the Soviet Union's total number of tanks in Eastern Europe from 37,000 to 27,000, but this is far from the goal of 6,000 demanded by NATO. Thus, an unnamed NATO official said, "We must firmly maintain our own position and in negotiations demand even greater reductions."

In fact, both political and military figures probably already are aware that though it is said that the profound impact of this act of Gorbachev's is military, it would be more accurate to say it is political.

If we say that Gorbachev's decision to withdraw troops from Afghanistan drew the attention of the world to his "new diplomatic thinking," then this disarmament move will dispel their grave suspicion of the "new thinking" to a greater degree. This thinking is, to use Gorbachev's words: "Today we have entered an era in which progress is constructed on the basis of mankind's universal interests. ...using armed forces or threats of armed force cannot and must not be an instrument of foreign policy...; building arms cannot be what any country wishes;

furthermore, one-sidedly relying on military strength ultimately weakens other aspects of a country's security." Clearly, this laid the intellectual foundation of large-scale disarmament.

Mr Gorbachev's disarmament decision appears to kill several birds with one stone.

In terms of Soviet domestic affairs, reform requires a stable international environment and the most abundant finances possible. Although Gorbachev has already basically made preparations in the organizational arrangements and political opinion to some degree, the economic reforms have not really started yet and people have not yet gotten clear and practical gains from reform. Disarmament can greatly reduce the government's economic burden, and especially in terms of the labor-short Soviet economy, it will produce greater economic benefits which can at least partially support the economic reforms which will get underway next year and at the same time will have a positive influence on raising the standard of living of the Soviet people. What should be mentioned is that the issue of "convert military industry economy into non-military industry economy" which Gorbachev mentioned in his speech and announced that the decision had been made to convert two or three military industry enterprises to civilian use in 1989. If the Soviet Union can resolve the issue of converting military high tech to civilian use, it will play a positive role in development of the entire Soviet national economy.

In terms of the U.S., this offensive at the initiative of the masters of the Kremlin puts Bush, who will enter the White House next month, in a negative and defensive position. Bush's desire to maintain the policy of "seeking detente through strength" and increasing military expenditures will encounter greater difficulties in Congress and may lead to the U.S. reducing military expenditures and further improving the budget deficit. This conjecture has already had an impact on the financial market: the Dow-Jones average and the rate of exchange between the U.S. dollar and major foreign currencies went up simultaneously.

Gorbachev's speech may have a greater impact on public opinion in the NATO member countries of Europe, especially West Germany which is on the front line of NATO, causing the public to doubt more whether or not to implement the plans for modernizing the short-range nuclear missiles used by NATO and to demand more large-scale reductions in the number of West German armed personnel.

Although Gorbachev announced that this arms reduction is unilateral and unconditional, and did not demand that the U.S. and Europe make a comparable response, no matter what, the U.S. and Europe must respond, otherwise they will be in a more passive position before world public opinion. Naturally, it seems that any response cannot be very light.

## SOVIET UNION

### Analysis of Soviet Political Reforms in Wake of 19th CPSU Conference

40050159 Shanghai SHIJIE JINGJI DAOBAO  
in Chinese 12 Dec 88 p 4

[Article by Zhang Wei 1728 0251: "19th CPSU Congress Ideas and Actions Spectacular; All Power to the Soviets, Improved Organization of Soviets; Glasnost Is Symbol of Gorbachev Reform of Political System, Important Consequence of Reform of Soviet Political System"]

[Text] The 19th CPSU Congress put forward a general tentative plan for reform of the political system and a plenary session of the CPSU in September and an extraordinary meeting of the soviets in October also implemented some parts of the original plan early. There are several points in this plan and the present measures that deserve attention:

Under the slogan of all power to the Soviets, the 19th CPSU Congress presented some new conceptions of soviet building: establishing the People's Congress of the Soviet Union as the agency of supreme authority; establishing a Supreme Soviet made up of the Council of Unions and the Council of Nationalities; establishing a Chairman of the Supreme Soviet elected by the people's representatives; establishing a Presidium of the Supreme Soviet. Establishing an integrated soviet is a major change in the Soviet political system and this change implies the creation of a new power center.

The theoretical foundation of this conception proposed by the Soviet Union is the idea of a state of the whole people and their criticism of the excessive nationalization and bureaucratization of social life. They hold that establishing an improved soviet organization will undoubtedly be helpful for the free formation and expression of the views of different social interest groups.

However, the communist party in power has no reason to relax control over such a state organ of power with an extraordinarily important political responsibility, and all changes will only be in altering the original forms of control. In this sense, the important political responsibility of the communist party in the period of peaceful construction is in coordinating the conflicts of interest among the people. After the reforms begin, in particular, the conflicts of interest among the people may become more intense daily.

The basis for the newly designed soviet structure is not the "separation of powers" of the west, but the unity of words and action consistently proposed by Lenin.

Evaluating such a power center is a doubly difficult topic: reform requires a power command center to promote the success of reform. However, an important task of reform of the political system is also to develop

democratic government, and there should not be an unrestricted supra power center in a democratic governmental structure. There are now indications that while Gorbachev proportionally centralize the authority in the supreme leadership level, he is also giving more freedom to social and political life and creating an atmosphere of democracy in elite groups.

Rather than the program, the fascinating part of the 19th CPSU Congress was glasnost. Glasnost is the symbol of Gorbachev's reform of the political system and an important result of his reform. In analyzing Gorbachev's glasnost, first of all we should note that glasnost is an ideal goal of Gorbachev. Next, we should also note that, to a considerable degree, glasnost is an important technique of Gorbachev's to motivate and mobilize the masses to support and consolidate reform.

Although glasnost has been widely praised, it faces four serious challenges. First, glasnost has relaxed political control and domestic political opposition has developed

which is very rapidly creating disturbances in Soviet society. Second, the nationality question has been made flexible in glasnost and this has intensified nationality conflicts within the Soviet Union. Third, openly discussing Soviet history has naturally involved some major events in relations with East European countries and how to evaluate and deal with old historical scores will become a potential problem between the Soviet Union and the Eastern European countries. Fourth, glasnost exposed gaps between the United States and the Soviet Union in such areas as economy and technology and also exposed many domestic dark sides of the Soviet Union which may injure the ethnic sense of pride of some groups of people and provoke dissatisfaction of some strata of the society.

In summary, the Soviet's reform of the political system is underway and has gained the support of the people through glasnost and democratization. Although progress in economic reform is not great, reform of the political system will similarly encourage the revolutionary spirit of all the peoples.



### **Party Secretaries on Position, Function of Enterprise Organizations**

40050157 Beijing XUEXI YU YANJIU [STUDY AND RESEARCH] in Chinese No 12, Dec 88 p 46-47

[Text] The factory manager responsibility system is presently being practiced in enterprises. Under these new conditions, what is the position of the enterprise party organizations, and how can they best carry out their function? Recently, the Beijing Municipal Party's Reconstruction Research Committee called a conference to discuss these questions. More than 20 theoreticians and party cadres participated in the conference, including representatives from Beijing's Printing and Dyeing Mill, Yarn Mill, Coal Ash Factory No. 3, Paper Mill No. 7, Leather Products Factory, Chemical Factory No. 3, Shijingshan Power Plant, Automobile Industry Headquarters, the Municipal Party Committee's Industry Bureau, Beijing Normal University, and Chinese People's University. The participants spoke freely, aired different points of view, and debated vigorously, which made for an exciting and lively conference.

#### **Four Different Viewpoints Concerning the Position of the Enterprise Party Organizations**

A factory manager takes complete responsibility for the enterprise. The factory manager is the enterprise's legal representative, and is the most important person in the enterprise, while the enterprise party organizations' function is to oversee. Under these new conditions, what in fact is the position of the enterprise party organizations? The participants in the conference espoused four different opinions concerning this question.

According to one point of view, it is necessary to first clarify the nature and function of the party organizations before the position of these enterprise party organizations within the enterprise can be discussed. The enterprise party organizations are political organs, and within the enterprise they do not lead but only assure proper oversight. It need only fulfill this function to affirm the enterprise party organizations' position. With respect to this question, some comrades emphasized our need to effect a big change in thinking. They say that we must cultivate an awareness that the party organizations occupy a different position, follow a different formula, and perform a different function, depending on whether they are in the center, at the local level, or in an enterprise. They say that we must eradicate the idea that, in the enterprise, strengthening the leadership of the party means "holding on to the big power and scattering the little power; leaving decisions to the party organizations, and letting everyone else follow instructions." They say that we must cultivate an awareness that the enterprise party organizations are political organs, not corporations, and that they must act as political organs to assure proper oversight of enterprise activities. They say that we must eradicate the idea that the "head man" in an enterprise is the party secretary, a notion which is reflected in the saying "the Secretary's the big man."

They say that we must cultivate awareness that the enterprise is an economic organization for which the factory manager serves as the legal representative, occupies the central position of authority, performs the central leadership function, and takes complete responsibility. They say that we must eradicate the idea that the party secretary is the one who "gives out the orders" and holds the power and authority. They say that we must cultivate awareness that the concept of party leadership is exercised and strengthened through the party organizations' activities and the function their members play as role models in the vanguard. A second point of view holds that the relative position in an enterprise of the party organizations should depend not on the ruling of higher-ups but on the level of ability of the cadres' and the efficiency with which they carry out their responsibilities. If an enterprise party organizations can excel in carrying out its role as a fighting bastion and draw upon party members in their capacity as role models in the vanguard to spur on the great mass of staff and workers, it will necessarily have a relatively high position in the enterprise. If the organization do not excel in this function, they will not be able to occupy high positions. A third point of view holds that the position of the enterprise party organizations have not changed, and that they still occupy positions of leadership, but this type of leadership is no longer leadership based on power, but is a nonpower-dependent leadership. Comrades holding this opinion believe that people often equate "leadership" with "power." This is incorrect. In fact, "leadership" and "power" are not the same concept. "To lead" means to direct and induce staff and workers to move in a certain direction, and is thus a type of force which does not depend on power. "Power" is a "political coercive force" and a "coordinating force within a specific jurisdiction." A "leader" can use "power," but "power" need not be used under all circumstances. In the history of our party's leadership of the Chinese revolution, one can perceive that the use of power has gone through a cycle leading from nonpower-dependent leadership, to power-dependent leadership, to nonpower-dependent leadership. They believe that nonpower-dependent leadership should be considered the fundamental method by which our party has led the Chinese revolution and reconstruction. This is determined by the nature of the party. The present separation of party and state and the party's exercise of the nation's political leadership is in fact a recovery of the party's method of leadership.

The fourth point of view holds that the position of the enterprise party organizations have already clearly fallen because the party organizations have become supporting cast for and appendage of the factory manager. The comrades who take this position believe that since its founding, the Chinese Communist party has continuously strived to solve concrete problems faced by the people, while merely engaging in empty talk about political work. But the situation is different now. Ever since the strengthening of the system of administrative command headed by the factory manager, the enterprise

party organizations have had neither power nor money, which is why some among the people say "talk with the party Secretary about ideology; talk with the factory manager about work." The party takes in very little money through membership fees, so unless the factory manager gives a nod and approves the expense for party activities, there is nothing the party can do. Some comrades say that enterprise political cadres often feel that the work of the enterprise party organizations is not easy, that the post of party Secretary is difficult, and that the best thing to do is adopt the attitude "first, don't seek power; second, don't seek money; observe carefully, make suggestions, and if they don't accept them, don't get mad." Some comrades believe that the enterprise party organizations' central position of the past has already been transformed into one of subordination; it has fallen from leader to a supporting role. It has been demonstrated that to be the enterprise party organizations no longer means to be the leader of the enterprise, but to serve in the interest of the enterprise central activity: production. The party organizations cannot use administrative methods to deal with problems, so their power has in fact been greatly reduced.

#### **Four Different Viewpoints Concerning How the Enterprise Party Should Carry Out Its Mission**

The participants brought different outlooks to the discussion depending on their experience and understanding. There were four basic points of view. The first point of view holds that the enterprise party organizations must leave behind the "power-oriented" model of the past and become "ability-oriented" if it is to carry out their mission more effectively and institute the new type of enterprise-style political work. Some comrades say that the first requirement is to enhance the quality of the party secretaries and ensure that they will be more knowledgeable, cultured and informed about the job. At the same time, party secretaries must do more work, and flail their arms in the air less in order to shake off their "leader" image among workers and become instead a good teacher and helpful friend. Of course, to become a good teacher one must first behave in a manner becoming of the title; one must create a positive image. Actions speak louder than words.

A second point of view holds that the only way to make the enterprise party organizations carry out their mission more effectively is to pay more attention to the work of strengthening the party. Some comrades say that now that the system of overall leadership by the factory manager is in place, the party organizations ought to devote their energies to strengthening the party. Some comrades emphasized when discussing this point that if the party organizations were to make a special effort toward strengthening the party, the effect would be deep and long-lasting. Although the objects of this party strengthening effort would only account for a minority within the enterprise (roughly 20 percent including the activist elements), approximately 50 percent of this minority occupy positions of leadership. If they were to fully carry out their function as role models in the vanguard, they

would become "core" elements among the people; they would become intimate friends of the people. The influence of party members should extend throughout the enterprise to all the factory's staff and workers. There are comrades who say that placing the burden of the party's work on all its members requires that the members pay more attention to the party's style of self-improvement, and that they make a special effort to raise their ability. Also, it would be a good thing to clarify the responsibilities of party members.

A third point of view holds that it would help the enterprise party organizations to carry out their mission if party leaders' jobs were gradually transformed into part-time positions. Some comrades say that the party organizations secretaries' position could be made part-time, and that the party branch secretaries' job could also be made part-time. These cadres could do any number of things when not involved in political work. Some party organizations secretaries could serve as factory vice-manager in charge of personnel; some could serve as factory vice-manager in charge of administration; some could serve as factory vice-manager in charge of production. In short, the nature of the work would vary depending on the place and the people involved, but it must serve to benefit the system in which the factory manager assumes overall leadership and actively mobilizes party members.

The fourth point of view holds that the way to make the party organizations carry out their missions more effectively is to integrate party and administration. The comrades holding this point of view believe that this integration means that party and administrative organs should work together to achieve common goals and cooperate to find the rational relationship between departments within the organization. Through interchange among party and administrative cadres, party and administrative organs could complement each other and integrate their functions. This merger of party and administration would provide both sides the best solution to the longstanding problem of "two layers of skin" in enterprise.

During the conference, many comrades expressed differing opinions about whether assuring proper oversight is a "nonpower-dependent" style of leadership, and whether this nonpower-dependent leadership represents the "recovery of the party's style of leadership." There were also different opinions concerning whether or not the separation of party and state is in fact a new integration of party and state.

#### **CPC 'Braintrust' Meets**

40050195 Hong Kong KUANG CHIAO CHING [WIDE ANGLE] in Chinese No 12, 16 Dec 88 pp 10-13

[Article by Chou Jung 0719 2837: "The Rise of a Chinese Communist Braintrust in the Theoretical Field"]

[Text] In mid-December, the Chinese Communist brain-trust convened a large discussion meeting in Beijing.

Gong Yuzhi [7895 5148 0037], who drafted Zhao Ziyang's "Political Report" was responsible for the preparations for this important meeting. Comrade Gong Yuzhi had been entrusted by the top level of the Central Committee with the drafting of a document on Chinese communist theoretical work titled, "Various Views," which explicitly called for no forbidden zones and free contention in academic research. This document has now been passed down to all units concerned throughout the country.

Scholars of different persuasions have generated intense debate about the present state of affairs in China. Some of them have been brought into the important Chinese communist high level research apparatus, and some have been taken on as high level advisors.

Tao Dayong [7118 1129 6978] said bluntly that it is difficult not to blame some people in the theoretical field for having created China's current inflation!

**Rise of the Chinese Communist High Level "Braintrust" Shows a Gradual Trend Toward "Specialization" in Running the Country**

Recently, it has been said that the major policy decisions proposed during the past several years in the high level operation of the Chinese Communist Party and government have had to be studied and validated by experts, and now this work has been taken over by experts and scholars who participate directly in policy formulation. Thus, some policy making advisory bodies and research institutes have come into being, one after another, as events have required for the shaping of a rather influential "braintrust" within high level policymaking circles. In the course of this process, theoreticians in the economic field have shown great vitality, with quite a few of this kind of braintruster being concentrated in the CPC Central Committee Secretariat, and in other party and government policymaking organs.

**Large Scale Gathering of Chinese Communist Theoreticians**

In order to summarize successes and failures and the lessons of experience during the past 10 years in the policies of reform and opening to the outside world proposed by the 13th Plenum of the 11th Party Central Committee, The Chinese Communists held a theoretical discussion meeting on 10 years of reform in Beijing from 18 through 22 December 1988. This was a huge gathering of experts, scholars, and Chinese Communist brain-trusters. An estimated more than 300 people, including representatives from five major systems, namely the social sciences, institutions of higher education, Chinese Communist Party schools, the armed forces, and state agencies attended this important conference.

According to available information, in order to give impetus to study and exploration by those engaged in theoretical work, as well as to strengthen guidance about how reform is going in practice, and to avoid mistakes,

the Chinese Communists intend to draw up a document on "Various Ideas For Improving and Advancing Theoretical Research Work." Reportedly, this will include the unequivocal recommendation that there be no forbidden zones in academic research, and that free contending is to be permitted. Chinese Communist Party and government policies and resolutions are the result of academic study, and they are also the objects of study. However, once shaped, both policies and resolutions have to be put into action, and discipline demands that dissenting views should not be openly publicized. However, in theoretical journals, in Chinese Communist conferences and conferences of people engaged in theoretical work, and in Chinese Communist internal publications or reports meetings, all kinds of scientifically based dissenting points of view may be aired and discussed. It is permitted to have different views about specific Marxist conclusions in adherence to "let a hundred flowers blossom," demonstrating that within the academic field, there still exists a school of study outside of Marxism.

It is said that this document will soon be put into effect, and that its "open-minded" spirit will provide a relaxed study environment for China's theoreticians, and that this is bound to give impetus to a new flourishing of theoretical learning and a lively situation.

However, the grim economic situation in mainland China today of inflation, the too abrupt rise in prices, and the shortages of consumer goods, with attendant wavering of popular feelings, has also cast a shadow over the summarization of Chinese Communist achievements in 10 years of reform. Liaoning Province CPC Committee Secretary Quan Shuren [0356 2885 0088] admitted that "confidence in the party and government of some cadres, staff members, and workers, has declined, and they lack confidence in the possibility of solving the problems that exist today." Some people believe that when the First 5-Year Plan was drawn up in the early 1950's that Stalin suggested that norms be set somewhat low in order to insure their fulfillment, thereby building popular trust in the government. Now when a summarization of experiences is being made during the most daunting period in 10 years of reform, what will be done to persuade the public?

**Chinese Communist High Level Summarization of Success and Failures, Gains and Losses During 10 Years of Economic Reform**

The Chinese Communists maintain that a full affirmation of achievements and an exposure of existing problems must be done, neither being done to the neglect of the other. The former relates to maintenance of confidence in reform, and the later relates to methods for promoting reform. One responsible Chinese Communist official said that the Chinese Communists have four major accomplishments as a result of 10 years of reform as follows: One is beginning to build a socialist commodity operating mechanism that integrates planning with

markets, demolishing the previous form of product economy in which planning and markets were homologous. Two is the development of diversified economic forms and management forms in which the publicly owned economy is paramount in order to improve returns from the publicly owned economy. Three is the opening up and the development of consumer markets, markets for the means of production, short term capital markets, technical markets, labor markets, information markets, and real estate markets for a beginning in the gradual building of a socialist market system. Fourth is the institution of diversified methods of distribution, distribution being according to labor, gradual improvement of the people's standard of living being founded on economic development.

Statistical figures show that during the past 10 years of reform, gross national income has increased by more than 70 billion yuan per year, while the average amount of increase for the period 1953 through 1978 was less than 10 billion yuan per year. Total value of fixed assets in state-owned enterprises stands at 1 trillion yuan renminbi, 1.2 times again as much as 10 years ago. In 1987, China had a gross national product of more than 1.1 trillion yuan renminbi for seventh place in the world. Outputs of coal, cement, cereal grains, cotton, pork, beef, goat and lamb held first place in the world, and outputs of steel and electric power held fourth place in the world. The Chinese Communists feel that these achievements must be explained.

#### **Gong Yuzhi Responsible for Preparatory Work**

The person responsible for taking charge of preparatory arrangements for commemorating the tenth anniversary of the convening by the Third Plenum of the 11th Party Central Committee of a theoretical discussion meeting was Chinese Communist braintruster, Gong Yuzhi. He was one of the drafters of Zhao Ziyang's "Political Report" to the 13th Plenum, and he is also the incumbent deputy director of the CPC Propaganda Department. The Chinese Communist "Various Ideas" about the theoretical field was drafted under his direction. After many revisions, it was presented to delegates to the conference in December for discussion, and after more revisions, a final draft was prepared.

It has been revealed that delegates to the conference presented more than 200 documents, including Su Shaozhi's [4479 4801 2535], "Opening a New Age in the History of the Development of Marxism," Liu Zaifu's [0491 0375 1788], "On the Stylistic Revolution in 1980's Literary Criticism," and CPC Central Committee Party School Professor Zhao Yao's [6392 2565], "The Change From Traditional Socialism To Modern Socialism." Quite a few treatises presented new views and appreciations of modern capitalism and modern socialism, and elucidated their interrelationships. The conference affirmed that the present age is one in which the fundamental pattern is a single world, two systems, economic diversification, competitive coexistence, and peaceful development. Reportedly, there were a substantial number of opinions inter alia that were approved by the top level of the CPC.

#### **Fierce Debate Among Experts of Different Persuasions, With Some People Being Drawn Into Major Policy Research Organs, and Some Being Taken On as High Level Advisors**

In recent years, the top level of the CPC has paid increasingly serious attention to theoreticians' analyses of the merits and demerits, and the successes and failures of national administration and various policy decisions. In the summer of 1988 before meeting at Beidaihe to approve the preliminary plan for wage and price reforms, the CPC Politburo several times assembled experts and scholars to ask their views in detail. A fierce debate occurred among scholars of different persuasions. Today, some of them have been placed in major policy research organs of CPC and government leading departments, and even more have been taken on as high level advisors.

#### **Tao Dayong [7118 1129 6978] Said Bluntly: It is Difficult Not To Blame Some People in the Theoretical Field for Having Created China's Current Inflation**

Three months ago, the "Black September" incident occurred in China. The panic buying, and the runs on banks reflected the public panic at the overly rapid rise in prices. Some experts termed this the "carrying capacity" of reform reaching its extreme limit. Avant-garde scholars who had originally opposed price reform reiterated that only perfection of the mechanism whereby enterprises have autonomy in their operations, creation of conditions for equal competition, development of a market mechanism, and the freeing of prices from restraints were realistically possible. China's noted economist and deputy chairman of the Democratic League, Tao Dayong, said bluntly that it is difficult not to blame some people in the theoretical field for the current inflation. Subsequent to 1984, some people began to preach in articles that a moderate inflation was beneficial to economic development. They advocated high consumption, which led to the creation of today's inflation in the scale of capital construction, and inflation of consumption funds. Not long ago, the State Statistical Commission, the Ministry of Finance, the Ministry of Agriculture, the People's Bank, the Pricing Administration, and the State Statistical Bureau reported on their work to the NPC Financial and Economic Committee. The very first sentence of the State Statistical Commission report was, "Overall, the economic situation is good," while all the other agencies acknowledged the economic situation to be fairly grim. In his capacity as deputy direction of the NPC Financial And Economic Committee, Tao Dayong dissented. He said that it should be acknowledged that the current situation is grim. There is still time to effect a cure; otherwise, a more serious situation may occur.

Zheng Hongqing [6774 3163 1987], a member of the State System Reform Commission believes that the inflation is the inevitable result of large scale readjustments and the removal of price restrictions before effective competitive markets have been formed. This is

manifested in a lack of actions associated with reform. On the one hand, thanks to the relative decentralization of economic policymaking authority, the manifold sources of capital, and the increase in investment channels, a certain amount of control has been lost over the scale of capital construction. On the other hand, there has been a loss of control over consumption funds. In view of the ambiguity about enterprise ownership rights and property rights, along with the inability of effective competition to develop to the full, enterprises' authority over wage and bonus distributions has expanded. Since markets have not developed completely, and since tax collection levers are weak and ineffective, people have been encouraged to become rich through various means. Government agencies have increased their administrative expenditures, causing an expansion of bloc purchasing power. All these things have accelerated an inflation of consumption.

Other scholars maintain that in a situation where actions associated with reform are lacking, including no impetus for political system reform, isolated forces remove price restraints in an intrusive and ill-considered way. This is somewhat like the story in Greek mythology of opening Pandora's box, which once opened could not be shut. The various "large scale wars" of "official racketeering," "staff member racketeering," "official levies," and panic purchases of raw and processed materials in very great demand are bound to prevail. Sole reliance on administrative measures, and "severe attacks" will hardly get the desired results. Moreover, the corruption of agencies having authority will increase rapidly, and various situations may set off a vicious fusion cycle.

The CPC call for the cleaning up of the economic environment and restructuring of the economic order as central tasks during 1988 and 1989 was based on the prevailing grim situation and the views provided by a majority of scholars.

#### **Deng Xiaoping Suggests Four Views**

It was with this in mind that Deng Xiaoping suggested four views. He said that what I am thinking about now is how we can get through this tough spot without taking too great risks. Many friends have said that the breadth of reforms should be wider; that solving problems one by one is not enough. There should be a complete clean up. A "short period of pain" is preferable to a "long period of pain." In the final analysis, we have had 10 years of development, so both the people and society have a certain amount of ability to bear. We cannot cause social turmoil for the sake of reform; the engine of the state is still in good working order. We have had experience with overcoming difficulties. The three years following the "Great Leap Forward" in 1958 were extraordinarily difficult; there really was not enough to eat, a shortage of clothing, and a lack of necessities used in daily life. Today goods are much more plentiful than then. So long as we speak plainly to the people, the people will be able to accept the government's decision.

#### **Lu Baifu [7120 4102 3940] Proposes 10 Measures for Restructuring**

Right now there is tremendous momentum for complete clean up and restructuring. There is a report that investment in fixed assets will be curtailed by more than 50 billion yuan in 1989. Lu Baifu, a fellow in the State Council's Economic, Technical, and Social Development Research Center proposed a 10 point restructuring and clean up measure as follows:

- 1. Maintenance of a rational speed of economic growth at 80 percent.
- 2. Control of the total scale of investment in fixed assets, greatly cutting back the present 1.06 trillion yuan total investment in construction projects.
- 3. Curtailment of government financial expenditures, and elimination of the government deficit.
- 4. Appropriate tightening of the money supply, reducing the basic amount of currency that the central bank puts into circulation.
- 5. Restriction of irrational circulating funds loans, and improvement of market supply.
- 6. Strengthening of cash control and halting large outlays.
- 7. Decide to restructure, merge, and place in bankruptcy a number of deficit enterprises, and eliminate the "burden" of government financial subsidies for losses not resulting from policy decisions.
- 8. Take firm grip on the restructuring of the three major links in the circulation of commodities, namely materials, business, and foreign trade to stabilize market prices and order.
- 9. Streamline administration; get rid of excess personnel; and make administrative units honest.
- 10. Intensify overall readjustment and control, and perfect the overall system for regulating economic activity.

Lu Baifu maintains that it is not realistic to rely on direct coordination by the State Council in the overall operation of the economy. What is needed is a group made up of crack cadres, and both old cadres and middle age and young men with experience in assigning various master economic tasks to supervise overall economic operations every 10 days and every month, and to propose regulatory ideas to State Council leaders for consideration and implementation.

However, quite a few scholars fear that excessive cut-backs might lead to a serious slip in production and an economic slump. A professor at Beijing University suggested that while cleaning up and restructuring, care should be taken to avoid the occurrence of a large scale decline in production, and an economic depression, as well as the dangers of backtracking and restoration of the old system. He believes that there should be no large ups and down when reducing speed, but that a "soft landing" approach should be taken. A "forced landing" approach should not be taken. Not only should certain high demand, high return, high technology, and high foreign

exchange earning projects not be decreased, but rather support should be given them in the form of government funds, loans, materials, and foreign exchange so that they can develop more rapidly.

He Jiacheng [0149 1367 2052], deputy director of the Combined Bureau of the CPC Central Committee Political System Reform Research Office said that pretty good progress is being made right now in cleaning up and restructuring, but some places and some units are not working hard enough, or are just going through the motions. There may be a slide in production; and problems may occur in an increase in the rescinding or immobilization of authority. Yang Peixin [2799 1014 2450] spoke more bluntly, and Li Peng said that reform has to be subordinate to the clean up of the economic environment and restructuring of the economic order. It is the right way, but one also has to realize that unless there is a gradual deepening of reform, the clean up of the economic environment will also become a dead letter. There has to be a complete deepening of reform to enliven enterprises. This is the only way to increase total supply and curb inflation.

#### The "Five No Relaxations"

During the 1989 National Planning Conference for setting the scale of economic construction and the speed of production, and the work conference on reform of the national economic system, Zhao Ziyang took charge of the convening of a discussion meeting. He pointed out that in cleaning up and restructuring, efforts must be directed to readjusting the economic structure, including a readjustment of the mix of industry, the mix of enterprises, and the mix of products, as well as the amount of investment and loans. Proper adjustment can prevent a production slump, and can also avoid new inflation. Furthermore, it can make the entire economic structure more equitable, and further increase quality and economic returns. Reportedly, there are to be "five no relaxations" in the course of clean up and restructuring, namely no relaxation in the building of energy and transportation, or in the development of scarce raw and processed materials; no relaxation in the development of farming, forestry, animal husbandry, sideline occupations, and fisheries, and in the growing of scarce cash crops; no relaxation in support to poverty-stricken areas; no relaxation in the development of the externally oriented economy of coastal regions; and no relaxation in scientific, technical, and educational endeavors.

#### Ten Major Theoretical Problems

1989 marks the 40th anniversary of the coming to power of the Chinese Communists. The Chinese Communists hope that theoreticians will be able to provide advanced research and study for the development of reform. It is understood that despite the host of schools of thought and points of view that have come to the fore in China, there is still no complete body of theory that can rationally and fully explain the present situation. Quite a few

scholars even feel concerned that the progress of reform in China is still way ahead of theoretical study. Reportedly, convincing conclusions have yet to be reached on the 10 major theoretical problems in reform, which are as follows:

- 1. Major characteristics of the preliminary stage of socialism.
- 2. Correlation between plans and markets.
- 3. Model for economic system reform.
- 4. Thinking on ownership system reform.
- 5. Are the keys to reform prices or the ownership system, restraint or improvement and perfection of the market mechanism?
- 6. Is a stock share system a desirable direction?
- 7. Evaluation of the contract system.
- 8. Is labor a commodity?
- 9. The nature of hired labor.
- 10. Macroeconomic policy in reform.

#### Turmoil Among Theoreticians

Some scholars maintain that two main trends of thought have recently appeared in the theoretical field. One is the new western learning faction represented by "River Elegy." This faction maintains that both Marxist theory and modern society are founded on western civilization. The obstacles and trammels that Chinese tradition pose for reform are too great; therefore the "yellow civilization" must be abandoned, and the "blue sky civilization" established if genuine social progress is to be made. The other trend of thought is the so-called "Confucian resurgence." Some scholars accept the point of view of the American Taiwan scholar, Yu Ying-shih [0151 5391 2514] [the son-in-law of Ch'en Hsueh-p'ing [7115 7185 1456], the former secretary of the Taiwan "Executive Yuan"], who maintains that China's age-old traditional culture has created a developed feudal society, that the "four little tigers" of Asia, as well as Japan uphold Confucianism, and have introduced Confucian logic into business management, achieving tremendous success thereby. This serves to show that China's traditional culture does not repudiate, but is able to meet the needs of reform and the march of time. A multitude of things are involved in how to improve China's economy without losing opportunities, given present realities, and naturally desired results cannot be obtained simply by reaching a conclusion about what to do.

#### Modernization of Ideological Concepts

40050174 Beijing QUNYAN [POPULAR TRIBUNE]  
in Chinese No 12, 7 Dec 88 pp 23-24

[Article by Zhao Hongting [6392 3163 2185]: "On Modernization of Ideological Concepts"]

The most important thing in the modernization of a country is modernization of the people; but the modernization of the people first is modernization of ideological concepts, and reform of ideological concepts is the precursor of any social reform.

Just as the birth of a child is accompanied with pain, updating a conceptual system similarly has a painful transition period. In this period, the new concepts are taking hold while old concepts are being suppressed so the psychology of the entire society is in turmoil. Because of the mixture of new and old concepts, the phenomenon of simultaneous coexistence of the following two mutually contradictory social or individual behaviors appears:

1. The actual situation of intellectuals and the new concepts of "respecting knowledge" and "paying attention to intellectuals" do not correspond.

Compared with the "the more knowledge the more reactionary" phenomenon of the "stinking old nine" period, the position of intellectuals now is higher and their knowledge is also more valuable. Yet, the jingle "those who make missiles are inferior to those who sell tea eggs, those wielding scalpels are inferior to those who wield razors, those who lecture on podiums are inferior to those who set up stalls" is popular now. This reflects from another angle that knowledge is depreciated and treatment of intellectuals is inclined to be low. This abnormal phenomenon not only has provoked dissatisfaction generally in the intellectual strata, but also has extended another worrisome social problem—in our country with an average educational level which is still very low, a new "theory of the uselessness of study" seemed to have prevailed again. In some areas, especially in large cities, many young people are not going to university because the wages paid intellectuals indicate extreme disrespect. In recent years, the phenomenon of graduate students withdrawing from school has also appeared. This year, nation-wide over seven hundred graduate students have withdrawn from school and one of the reasons is the poor treatment of intellectuals. China specialists of the U.S. Rand Corporation have pointed out that the high level leadership of China takes intellectuals seriously, but improvements in the treatment of intellectuals has been "very difficult and slow." The origin of this contradiction is "the resistance of traditional concepts and prejudices" rather than financial limitations. They also point out that the wages and benefits of China's intellectuals "generally and relatively speaking" are the lowest of the world, including many developing countries. In the near term, perhaps "you (China) may not feel any discomfort" by this situation, but before long it will be seen that it is an important factor in influencing...whether or not there is an "after-effect", especially after the year 2000.

2. The concept of "respecting virtue and slighting talent" and the slogans "respect talent" and "appoint people on their merits" were perversely implemented side by side.

Talent is the key to realizing the Four Modernizations. People seem to understand this simple but also profound truth, but when the standards of talent are involved, the traditional concepts always create problems. Because the inherited custom of feudal officialdom that "it is better

to use lackeys than talent" has not yet been eliminated, "better to use a flawless servant than a deficient able man," "stress character and look down on ability" became the standards for "talented" people, especially some leaders. Thus, such a situation appeared: those people who were well-behaved, knew their place, and were gentle and cultivated and who would not aggravate the situation because of limitations of ability were appreciated; those with lofty ideas, were courageous in thought and action, dared to be creative, were resolute and who could breach the general situation were being made unaccustomed to, insecure about and not given important responsibilities. Earlier, weren't there many instances where reformers were "shot from their horses"? Some reformers who were ambitious, competent, vigorous about reform, had clear merit, and had deep support of the masses, were framed and removed from office and transferred on pretext only because they ruffled feathers with certain people, offended the "dignity" of certain people or even stepped on certain peoples' interest. In China, such inconceivable and hopeless things occur as sometimes in real life that a mediocre type who is overcautious, obsequious, drifts with the current and has little talent and learning is put in a more important position than a talented person who is courageous, knowledgeable, dares break new paths, and is not afraid to express his opinions. A petty man who is good at flattery and toadying, resorts to deception, and is opportunistic is frequently more appreciated than an honest man who is neither haughty nor humble, seeks truth from facts, and is devoted to duty.

We propose that "virtue and ability" be combined, that the "virtue" be the primary content of promoting social progress. It is impossible for lofty virtue alone to drive out poverty or to implement modernization. Social progress relies on ability and its utilization of ability.

3. The concept that "having power is having everything" seriously hinders the dilution of the concept "the psychology of becoming an official."

In China, a person need only join official circles and wear a "black gauze cap" to acquire power, benefits, and glory. Therefore, the concept that "having power is having everything" has been ingrained in people's minds since antiquity. Only in recent years, the deepening of reform of the political and economic systems and the development of a commodity economy has begun to attack this old concept, and the psychology of becoming an official is beginning to be diluted. However, there are still many people, including a group of intellectuals with outstanding achievements who still embark on official careers. Their eyes are fixed on the "black gauze cap" and they struggle hard to rise up. To achieve this goal, it is not beneath some people to resort to underhanded techniques. Cases such as deceiving one's superiors and deluding one's subordinates, boasting and flattery, bribery, favoritism in appointments, engaging in factionalism, framing others, and intriguing against others occur. The strong desire of these people to be officials is not



only because the concept of "having power is having everything" is long standing but also because it is testifiable in real society. If we do not fundamentally eliminate from the system the concept and behavior of special privilege of bureaucratism, then it will be extremely difficult to dilute the "psychology of becoming an official." If, for the most part, talented people move only towards this "high place" and devote their energies to obtaining that "black gauze cap," then the economic force for the Four Modernizations will be greatly weakened. If this "struggle in the lair" over high office begins in some leadership groups, the damage done to the healthy development of the organizations and systems in china would be unimaginable.

4. The traditional concepts of "be content with your lot," "seek stability," and "equalitarianism" are still deeply rooted with great force in the maelstrom of the commodity economy.

For thousands of years, the idyllic life of men farming and women weaving and the uplifting influence of the "doctrine of the mean" proclaimed by ancient sages has caused the Chinese people to nurture deep in their consciousness the ideological concept of "those who are content with their lot will always be happy." Like a steady flow of air without oxygen it spread all over China, suffocating the creative spirit of the Chinese people. If they were "content with their lot," then they could "not go beyond their bounds" thereby form a social psychology of having nothing to pursue and no stability to seek for. Over time, people's spirits had become insensitive, their reactions slow, they lacked even an elementary adaptability and endurance for change which ultimately led to weakness in the nature of the entire people. This situation has continued up to today and become a psychological obstacle to in-depth reform and development of a commodity economy.

Reform should smash the old ossified system and introduce a competitive mechanism, mobilize the enthusiasm, initiative, and creativity of all areas of society, uncover the potential which is buried deeply in each person's heart, and accelerate the progress of modernization. The appearance of each reform measure is a powerful shock wave. The reform of the wage, price, and personnel systems greatly shook the Chinese people's social psychology of "stability." The "big pot" should be smashed and the space between income grades should be increased. The "iron rice bowl" should be exchanged for a "mud rice bowl," and prices should be gradually relaxed. If enterprise management is poor it would be bankrupted. Is this socialist or capitalist? Some are puzzled and tense and feel keenly that the future will be difficult. So, for now being unable to think through and not adapting has also become a serious social obstruction.

In social behavior and individual behavior, the clash of new and old concepts is evidenced in many ways; examples such as those cited above are too numerous to count. From these contradictory social phenomena, we can see

that in a period when new and old concepts are intertwined and coexist, new concepts have two specific characteristics: one is they are fragmented and have not yet become a system; the other is they are on the surface. This phenomenon determines that the force of new concepts will not take hold for the time being, and that the strong living man still cannot completely escape the hand of the dead man. However, it is impossible for the new concepts to take hold in a short period of time so that fragmented new ideas can gradually become part of a new system, and not just on the surface. Instead, it will penetrate deep into people's consciousness, and the slogans will turn into people's voluntary and self-conscious action. Because updating concepts relies on the development of material life and without the momentum of a powerful material force, the old concepts will not leave history. Therefore, abandoning traditional concepts and establishing a system of new concepts is our long-term goal and it will require the effort of one generation or several generations!

#### Reforms in Ideological, Political Education Efforts Urged

40050146 Beijing SIXIANG ZHENGZHI GONGZUO YANJIU [STUDIES IN IDEOLOGICAL-POLITICAL WORK] in Chinese No 11, Nov 88 pp 32-33

[Article by Xinhua reporters Zhou Baohua 0719 0202 5478 and Zhao Chuanming 6392 0278 2494: "The Focus Should Be on Reform—An Inquiry Into Enterprise Ideological and Political Education Efforts"]

[Text] Recently, while investigating and reporting in Liaoning, Sichuan, Tianjin, Shaanxi, Gansu, and Yunnan, we sensed deeply that central government reforms are at a critical juncture. You might say it is both timely and pertinent to raise the important issue of enhancing and improving ideological and political efforts. This issue has become a subject of intense interest to the departments concerned and to comrades in the business world.

#### Reform is Urgently Needed

Traditionally, enterprise ideological and political efforts have played their due role, but the fact is that ideological and political work is hard to do. Our survey of six provinces and municipalities indicates that enterprise workers and staff are universally fed up with traditional ideological and political education efforts. Less than 20 percent indicate their willingness to participate in political studies, whereas over 80 percent participated against their will for fear of losing bonuses. Comrades in Tianjin, Shenyang, and Xi'an report that, when political education classes for workers and staff are slated people essentially "put on a good show of organization, planning, and serious intent, but then just go through the motions."



This phenomenon raises concern and gives us cause for reflection.

Shenyang Electric Cable Plant Manager Xu Youpan [1776 2589 3140] has said that "Enterprise ideological and political education efforts are ineffective because our ideological efforts encompass no new scientific components or methods relevant to the times. We continue to use the same old methods and components we have used for several decades. This makes it hard to avoid problems now that the practical situation has changed."

Indeed, our system of ideological and political work was born out of the years of revolutionary war, established during the period of socialist reform, and consolidated during the time when we "took class struggle as the key link." One of its explicit goals was to be of service in political affairs. After party affairs were refocused on economic construction, ideological and political efforts continued to follow the old course. It is not surprising that in actual practice these efforts run up against a brick wall.

According to the traditional line, enterprises had very little practical autonomy to pursue ideological and political endeavors. One plant manager of a Sichuan enterprise reports that in his plant the higher-level departments assigned them 13 political study assignments per month—assignments that were totally unrelated to actual enterprise activities. Moreover, each one entailed specific requirements concerning deadlines, assessments, and inspections. A director of propaganda at the Benxi Iron and Steel Company participates in 38 activities per month, occupying 25 working days, although less than 20 percent of those activities have anything to do with the actual situation in the plant.

For a long time now the problem of "two tracks" has persisted in enterprise ideological and political work. Now that the factory director is in charge of ideological and political efforts these "two tracks" have merged and we have discovered the optimum method for resolving this problem. However, according to most enterprises, there are still a considerable number of administrative cadres who do not meet the demand for "one person to shoulder two heavy loads." According to an analysis that Tianjin's First Light Industry Bureau conducted on the quality of 113 subordinate factory managers, 44 percent of them do not have "one person to shoulder the load." And the departments concerned in the Shaanxi Provincial Party Committee report that approximately two-thirds of Shaanxi's factory directors do not meet the conditions for having "one person shoulder the load."

The persistence of these problems amply demonstrates the urgent need to improve enterprise ideological and political efforts.

### **The Process of Improvement Means Carrying on and Blazing New Trails**

How are we to understand improvement in ideological and political efforts? Comrades everywhere are devoting their efforts to exploring this question. Most comrades feel that to meet the need to develop a planned socialist commodity economy, we must study the features and patterns of enterprise ideological and political efforts. Then we must boldly blaze new trails and so improve our overall effort, from the content of our guiding philosophy and the components of the work itself, to the system of organization and the methods that we use.

In the course of improving enterprise ideological and political efforts Sichuan has gained experience "training in the four duties," and we can learn a lot from this. Since 1987 Sichuan has conducted training for staff and workers in occupational ideals, ethics, discipline, and craftsmanship. This has entwined ideological and political work with the staff and workers' own jobs and ensured that these enterprise programs are consequential. It has also succeeded in preventing the call for ideological and political education from becoming just a lofty, but empty and unachievable, slogan, and it has conquered the abusive practice of formalism. Summing up what we have learned from "training in the four duties," comrades in the Propaganda Department of Sichuan's Provincial Party Committee and in the Political Department of Sichuan's Planning and Economic Commission have pointed out that we must establish a guiding philosophy focused on economic construction—a philosophy which serves and is subordinated to economic construction, reform, and deregulation. They feel that the difficulties involved in economic construction, reform, and deregulation should become the focal point of enterprise ideological and political efforts. This will instill workers and staff with national pride to "build the four modernizations and develop China," and help improve enterprise returns and develop in production and construction. These comrades believe that this guiding philosophy is both the mission and the primary component of enterprise ideological and political work.

While visiting these six provinces and municipalities we discovered that there is one common denominator among all the enterprises that have been outstandingly successful in improving ideological and political efforts: they have been practical and realistic. That is, they have transformed ideological and political work from "a fruitless confrontation over nothing" to "a practical battle with reality," and they have invested their efforts in carefully synthesizing enterprise experiences.

After all, synthesizing enterprise experience and launching ideological and political efforts is an important part of cultivating enterprise vitality. The Jinchuan Nonferrous Metals Company, China's famous nickel capital, is situated in the northwestern Gobi Desert. In the 1960's the people of Jinchuan, by virtue of the rapid pace and high quality of their work, completed construction on

China's largest nickel production base. They created the "Jinchuan spirit," which arose out of worker pride and has lasted to the present day. In 1987, during the second stage of project construction, the rapid pace of construction advanced the project completion time by 6 months and the excellent results saved more than 100 million yuan. In so doing, the workers successfully linked a primary sloping track over 700 meters long that has been praised as a marvel of Chinese mine construction. When surveying this project, comrade Zhao Ziyang said: "To build, we must have this kind of spirit."

The key to successful ideological and political efforts is "respect, concern, and care for people." The practical expression of this is to integrate ideological and practical solutions. The Ministry of Railway's Meishan Rolling Stock Plant is 180 kilometers from Chengdu. This dense mountainous area is lonely, and life there is extremely inconvenient. However, because this plant begins to improve ideological and political efforts by resolving the practical difficulties that face workers and staff, its more than 6,000 employees have a stable "troopers' morale," and enthusiasm for the work runs high. For example, employees were worried that working in a mountain valley would mean "dedicating their youth, as well as their children and grandchildren" to the cause. In response, the plant spared no expense to bring in highly qualified teachers from outside, who set up a top school for workers' children. The proportion of these high school and middle school graduates entering schools of higher education is among the highest of any of the eastern mountain cities. Employees were faced with vegetable shortages, so the plant invested several hundred thousand yuan to build a farmers' market to attract vegetable farmers to the plant environs to sell their wares. One young worker told us that "Whatever the workers think of, the plant management thinks of as well; whatever issues the workers want resolved, the plant managers find a way to resolve. If we were not willing to risk ourselves, we could not face them."

Although people are its objects, ideological and political work was traditionally interconnected with the old product economy system so it more often than not ignored the value of the human element and treated people with no respect. How to treat each employee and how to handle issues that touch on their immediate interests are truly new problems with which ideological and political education must cope.

While we were covering the news in these regions we heard workers and staff make the following generalization: "From the stage, one speaks; below the stage, one is spoken to." It looks as if what has most depleted confidence in ideological and political efforts is the attitude among certain cadres that workers should "jump right in once the word comes down." Experience verifies that in enterprises where the leading cadres set an example, workers and staff have a good attitude and are very enthusiastic. But in enterprises where the leading cadres cannot set an example, the level of worker antagonism is

high and many problems arise. The sayings "Hollering yourself blue in the face is not as good as going out and setting an example," and "Teaching by example is better than teaching by explanation," have a very important function and significance for improving and enhancing enterprise ideological and political efforts.

In summary, it takes a systematic process to completely upgrade ideological and political efforts. Although the curtain has just gone up on our efforts to improve ideological and political work, there are already indications that the farther we go the broader the route will become.

### **The Primary Obstacle Blocking Improvement Is Ideological Understanding**

In our survey we discovered that the above explorations of ways to improve ideological and political efforts are currently still restricted to provincial and municipal leading bodies and to some advanced enterprises. For a great number of enterprises these efforts have not yet begun or have made little progress. This is mostly because many comrades, particularly leading enterprise cadres, are still confused.

As we intensify reform it is an inevitable trend for enterprises to establish new systems of ideological and political education for workers and staff—systems that are centralized under the control of the factory director (or manager). However, there are many comrades who have not yet really come around. On the one hand some political cadres are still anxiety-ridden about the separation of party and political concerns within the enterprise. They anticipate structural reform with the attitude that "if the organization is subordinated, ideological work will be difficult to accomplish." Some enterprise party committees have a one-sided view or even take issue with the understanding that under the new setup party committees will still do ideological and political work. On the other hand, there are also many administrative leading cadres who look upon ideological and political work as an added burden. Some factory directors say that they spend 40 percent of their energy on production and 60 percent on management, and that their attitude toward ideological and political work is that "If we consider it we fail, if we wish it we cannot manage successfully, and if we ignore it we are uneasy." Previously the majority of public opinion wanted political cadres to change their ideas. Now it looks like administrative enterprise cadres will also have to change their thinking. Otherwise there is a danger that the task of improving ideological and political education work will come to nought.

Because the process of ameliorating enterprise ideological and political efforts is a systematic process, it must involve improvements in the external environment. However, upper-level leading cadres in enterprise generally have made little progress in making the auxiliary reforms that revolve around enterprise ideological and

political work. Comrades in some leading bodies feel that improving enterprise ideological and political education seems like a matter for enterprises to handle on their own. They conclude that "The lower levels, rather than the upper levels, should act: one should be active and the other passive." In reality there are certain problems that enterprises are powerless to solve, and these influence the effectiveness of improvements in ideological and political work. Consequently, many factory directors feel that in the future, other than enhancing macroeconomic guidance in enterprise ideological and political efforts, leading departments should not interfere too much or mandate too many and too unrealistic tasks. They should permit enterprises to organize the content and determine the objectives of ideological and political work themselves.

Improving and strengthening ideological and political efforts is an inevitable historical choice. So long as we eliminate the various ideological obstacles and cultivate a profound sense of historical mission and responsibility to shoulder this difficult, weighty burden, ideological and political work can definitely play a tremendous role in arousing and inspiring our national spirit.

#### Opinions of Yan Jiaqi, Other Theorists

40050176 Hong Kong CHING PAO [THE MIRROR]  
in Chinese No 137, Dec 88 pp 86-87

[Article by Si Fangwu 2448 2455 0710: "Yan Jiaqi's  
0917 1367 0366 New Views on Unification"]

[Text]

#### Zhu Houze's Statement Was Not Allowed To Appear in the Press

Zeng Qinghong [2582 1987 4767], deputy secretary of the Shanghai Municipal CPC Committee, and Xu Junxi [1776 0193 6007], deputy director of the Shanghai Municipal CPC Propaganda Department, made an appointment to meet and talk with Wang Ruowang [3769 5387 2598] on 31 October 1988. Since the elderly writer Wang Ruowang, who was "asked" by the CPC to leave the party early in 1987, has been almost in seclusion since the "anti-bourgeois liberalization" movement except for occasional "appearances" in the press, why did these two important officials take the trouble to make this appointment with him? Wang Ruowang was a delegate to the Fifth Writers Congress and has been followed with interest both in China and abroad. Since Liu Binyan [0491 6333 7159] left China, the only liberal elements in literary circles have appeared at the writers congress and the above-mentioned appointment was made with Wang Ruowang because it seemed that things would not calm down. Wang Ruowang was told "to look ahead, not to quibble over past history, to cooperate with the Shanghai delegates to the writers congress, and absolutely not to ask difficult questions."

There is only a little over a month left in 1988 and, as the weather is turning colder, the "temperature is also falling" in the ideological field. It is said that the Central TV station's "Today in History" was suddenly taken off the air because its 25 August 1988 "Today" broadcast was too painful for the vast numbers of workers in China's oilfields. Zhu Houze [2612 0624 3419] met with foreign visitors and reporters at a press conference after the end of the All-China Federation of Trade Unions conference and said that "If it is rational to go on strike, the All-China Federation of Trade Unions will take a supportive approach." The press was instructed not to print this and the Shanghai BAKAN WENZHAI [PRESS DIGEST] that tried to quote it from XINHUA sources was criticized and made to remove it from print. A discussion was held at Shanghai Teachers College on 27 October 1988 on "Modernization and the New Enlightenment." Why did the Shanghai newspapers unexpectedly refuse to report it? Most of the participants in the discussion were people who were offensive to the CPC. From Beijing, there were Ge Yang [2047 2254], Yu Haocheng [0060 3185 2052], Wang Ruoshui [3769 5387 3055], Li Honglin [2621 3163 2651], Ruan Ming [7086 6900], Shao Yanxiang [6730 3601 4382], Zhang Xianyang [1728 7359 2254], and Jin Guantao [6855 6034 3447] and from Shanghai unexpectedly Pan Weiming [3382 4850 2494], a former director of the Propaganda Department of the Shanghai Municipal CPC Committee who had almost disappeared from the scene, and Shanghai SHIJIE JINGJI DAOBAO [WORLD ECONOMIC HERALD] "boss" Qin Benli [2953 2609 4539]. Wang Yuanhua [3769 0337 0553] called this discussion meeting. Most of the participants showed their concern about the difficulties and crises that the reforms have run into, saying that "Those who know us say that we are concerned and those who do not ask what we are looking for." These people are regarded as insightful representatives of "liberalization" and the current intellectual vanguard in China, who are conscientiously thinking and studying with their passion for reform. Wang Ruowang unexpectedly showed up on 31 October 1988 at Shanghai Teachers College's foreign guesthouse, where he had a particularly cordial first meeting with Wang Ruoshui, who has long been known as his "younger brother" in foreign circles. Li Honglin was also very happy to meet Wang Ruowang for the first time. Some people said jokingly that if Liu Binyan had not been abroad and if Guo Luoji [6753 5012 1015] had attended, this get-together at Shanghai Teachers College would really have been a major coalition of liberalization supporters.

#### Hu Jiwei [5170 4921 0251] Is Planning To Write Books on Elementary Democracy

An authoritative source has revealed that Hu Jiwei, currently vice chairman of the National People's Congress Education, Science, Culture, and Public Health Committee, is using his time to write books. He is collaborating with Yu Guangyuan [0060 0342 6678] on a work called "A Time of Sudden Awakening." It has

articles by writers, such as Wang Ruoshui, Li Honglin, Yu Haocheng, Ruan Ming, Guo Luoji, and Zeng Yanxiu [2582 1750 0208], and an article of almost 20,000 words by Hu Jiwei called "Obedience and Disobedience" in which he recalls his experiences in working for RENMIN RIBAO [PEOPLE'S DAILY]. He said that "When I began to work as assistant editor-in-chief for RENMIN RIBAO, I wholeheartedly assisted the editor-in-chief and absolutely obeyed the suggestions of leading central government comrades, who always supported my work. Now I see that I made many mistakes that hurt many comrades. After the Gang of Four was smashed, I began to be less obedient and consequently made less mistakes." Hu Jiwei is also said to be editing a set of books called "Democracy Study Series," is reported to be preparing to write a series of popular books on elementary democracy intended for various kinds of readers, and is even thinking about writing textbooks on democracy for grade school, high school, and college.

Hu Jiwei was unwilling to keep quiet during the period of time from the anti-spiritual pollution campaign to the anti-bourgeois liberalization movement. He constantly "investigated" press reform and democratic freedom, which were "sensitive" issues in China, and enjoyed immense acclaim in intellectual circles. In particular, his speech in defense of Wang Ruoshui at RENMIN RIBAO 1988 anniversary celebration was almost unanimously praised by the press.

#### **Hu Yaobang's "Sense of Helplessness" About the Political Situation**

Hu Yaobang has still been very downhearted since he returned to Beijing from his recuperation at Yantai. A source from upper circles who is familiar with his life said that Hu Yaobang is now fully able to "reappear in public," but that he seems to feel a strong "sense of helplessness" and a certain amount of disheartedness about China's future political development. Although Hu Yaobang and Hu Jiwei had certain differences in principle about the press for a time in the past, they have a very good relationship now and see each other almost every month. Hu Yaobang also frequently meets with certain friends, including some comrades who he criticized in the past, and this seems to have become customary for him now.

#### **The Phoenix Cup Essay Contest Was Terminated Abruptly**

The Phoenix Cup Essay Contest that was carried in a RENMIN RIBAO supplement was received enthusiastically by all areas throughout China and more than 2,000 essays were submitted to it. But it was very quickly criticized by the CPC Central Propaganda Group and many excellent essays could not be published. When abruptly terminating the contest, renmin ribao printed an editor's note, saying that many of the essays would be included in "Selected Phoenix Cup Essays" as a consolation prize for not being able to print them. When I was

in Beijing, I constantly heard that ZHONGGUO QINGNIAN BAO [CHINA YOUTH] had also been criticized and recently had to delete two essays from its academic page, one on price deregulation and the other on reform and freedom of the press. It is also understood that the recently published XIN GUANCHANG [NEW SURVEY] carried an article by Gong Liu [0361 0491] called "Ugly Storm." It seemed to be very provoking and the CPC Central Propaganda Group also treated it with veiled criticism. Thus, mainland press circles are still very depressed and, in addition to having to worry about "press lawsuits," are even more heavyhearted politically. An article in CHING PAO's November 1988 issue revealed that a government official in charge of ideological work said that at present, "A runaway press would be as bad as a runaway economy." Thus, it seems that censoring essays, enticement, and provocation are alright and absolutely not by chance. Recently, the Shanghai Municipal Party Committee has been constantly recommending "successors" to Shanghai SHIJIE JINGJI DAOBAO "boss" Qin Benli. Is their purpose not very clear? But after passing through many storms, this weather-beaten editor Qin seems to be even less "perturbed" than before. So what are his prospects? We must still watch quietly.

#### **Yan Jiaqi Suggests Formulation of a Unified Constitution**

Yan Jiaqi [0917 1367 0366] has recently often written articles for and been interviewed by reporters from the Shanghai SHIJIE JINGJI DAOBAO. His unusual bearing and amazing manner of speaking have caused the press to give increased respect to this young scholar who a year and one-half ago was still saying mediocre things in a Changzhou accent. He is reported to have finished revising his "History of the Ten-Year Cultural Revolution," added 150,000 words, and delivered it for publication to the Tianjin Publishing House.

A friend from Beijing told me that Yan Jiaqi recently gave a report at the second meeting of the board of directors of the China United Front Theory Study Conference called "Peaceful Unification of China Will Require Formulation of a Unified Constitution" that aroused attention in all areas. He thought that talking about "one China, two systems" alone is not enough, and that China's post-unification constitution should also express the concept of "one China, two systems." Moreover, he thought that unifying China according to the concept of "one China, two systems" would certainly cause major changes in 20th Century constitutional theories. He also pointed out that China's post-unification constitution should include the following four major sections: 1. It should stipulate the form of the national structure, how unified China's political organs are formed and how their authority is exercised, and the relationship between how they are formed and how their authority is exercised; 2. It should stipulate civil rights and duties that are suited to both sides of the Taiwan

Straits; 3. It should stipulate the procedures for amending the constitution; 4. The constitution should absolutely be more authoritative than political parties. It is said that Yan Jiaqi will publish these ideas after he finishes writing them.

**Wu Zuguang Crosses Swords with "King of the Left"  
Chen Yi**

Wu Zuguang [0702 4731 0342] had a heated confrontation with Shanghai's "King of the Left" Chen Yi [7115 3085] at the beginning of the writers congress on the morning of 7 November 1988. Chen Yi said that "Even though the All-China Federation of Literature and Art Circles is a mass organization, it cannot be divorced from politics and must always consider, express, and make known its positions on literary and art issues." He went on to say that its present task is to "serve" and "guide" writers that it considers bad. Wu Zuguang expressed immediate opposition to this, asking "What writers have created literature because of the party's guidance? Did Ba Jin or Lao She create great works because they were guided? I know best from experience." The debate reportedly ended in discord.

**Reasons for 'Official Profiteering' Discussed**  
40050224 Beijing LILUN XINGXIBAO  
[THEORETICAL INFORMATION] in Chinese  
12 Dec 88 p 3

[Article by Li Yiping 2621 5030 1627: "The Rent-Seeking Theory Cannot Serve to Explain Official Profiteering and Similar Negative Phenomena"]

[Text] The rent-seeking theory cannot be adduced to explain official profiteering and similar negative phenomena. First, the phenomena explained by the rent-seeking theory and the background of its emergence are quite different from official profiteering and similar negative phenomena that have emerged during the economic reform. The occurrences which the mentioned theory explains have the following characteristics: 1) The background of the rent-seeking theory are countries practicing market economy with government intervention. As government intervention intensifies, the limits and drawbacks of government intervention have been increasingly revealed: The fiscal deficit grows with each passing day, and much of the governments expenditure ends up in the pockets of special interest groups. The rent-seeking theory is precisely an explanation of these specific phenomena. Obviously, what the rent-seeking theory talks about is the difference in incomes created by the intervention of a government which in the imagination of the people is fair and just, but which still are differences created by human action. The public-choice theory (of which the rent-seeking theory is one part) asserts that government functionaries are also "economic persons," and also acting selfishly. 2) Actions mentioned by the rent-seeking theory refer to the overall actions of government, executed in complete accordance

with legal procedure, therefore in an open and above-board manner. But their objective effect is that of "an invisible foot stepping on and stopping an invisible hand." 3) Since this is so, actions or policies of the government are also restricted by the will of the electorate; the policies of the government are in an exchange relationship with the votes of the electorate. 4) Since the rent-seeking theory deals with "benefits" and "commodities" that are brought about by the intervention of government, they are the normal phenomena of business operations of a market with state intervention. They possess, therefore, a certain objectivity. On the other hand, the special characteristics of "official profiteering" and similar negative phenomena that emerged during the economic reform are: 1) "Official profiteering" came about during the reform which attempted to weld the traditional public ownership system with commodity economy. Welding the traditional public ownership system with commodity economy is still theoretically controversial and also practically hard to accomplish; even today, it still remains a beautiful wish. When this beautiful wish is put into practice, the results are not beautiful at all. Because of the uncertainties of property rights, and the inability to establish the "road laws" required by commodity economy, add to it the premature decontrol by the government of items needing controls, it is now impossible even in areas where restrictions are in place to enforce orders and prohibitions. Finally, the combination of the freedom provided in "commodity economy" with the privileges of the public ownership system is for corrupt elements as water is to fish. Moreover, it is merely because of the two-track system in planned commodity economy that the essential objective conditions are now provided for "official profiteering" and for "official profiteering" to emerge at this juncture. The cause for "official profiteering" is, as Bulgarian economist S. Georgieva so pertinently indicated by saying: "The method of some socialist countries of combining the patterns of economically incompatible ownership systems leads to even more negative consequences," therefore, not due to some rent-seeking by an intervening government, but precisely the result of a lack of necessary government intervention. 2) Acts of "official profiteering" are not acts by the government as a whole, but acts by some corrupt elements among government functionaries. These acts by corrupt elements are more often than not contravening action by the government as a whole; they are malpractices for selfish ends, and are "visibly trampling on invisible hands." 3) The acts of "official profiteers" do not show the interchange relationship of restraints by the electorate on government policies in a market economy, but are a kind of robbery which relies on power which is not restrained by checks and controls. 4) These phenomena have emerged during the reform because of the uncoordinated state of government policies and due to the lack of a strong leadership with strict enforcement of orders and prohibitions. They are abnormal phenomena and will, therefore, only be temporary.

Second, as to measures for the solution of the problem, the theory of public choice points out that a means to resolving rental problems caused by government intervention is "dispersal of political power," to have "civil servants, just the same as people in the markets, restrained in their actions within the limits of mutual benefits." Buchanan firmly believed that the numerous difficulties faced by Western society were not due to failure of the market system, but challenges by the political system, striving hard to solve the problem by introducing the market system into the political system. As far as China is concerned, because the problems faced by China are not of the same level as the problems faced by Western society, the task of top priority is to effect a transformation of the traditional public ownership system, thereby killing two birds with one stone: One objective being to create genuine commodity producers, having their restraints rendered rigid and their actions normalized. The other objective is to have government become the exclusive umpire standing aloof above the market. At the same time, socialist democratic politics should be instituted, and government actions subjected to the effective restraint of the broad masses of the people. Through these transformations, normalized order would be established, as needed by commodity economy. When socioeconomic life will center around currency (i.e. commodity economy) and not around power, the powers that support "official profiteering" will lose their effectiveness, and "official profiteers" will quite naturally disappear. Of course, before this overall objective has been achieved, there is still need for necessary rectifications and mopping up and for firm government leadership as to accurate timing and the correct assessment of the situation during the reform process.

Finally, because the rent, of which there is mention in the rent-seeking theory, is an objective normal phenomenon existing in the market economy with state intervention, and because the restraint by the electorate and the government are in an exchange relationship, it is generally believed that the said rent would be acceptable to the electorate. Could that mean, by an analogy applied to "official profiteering" and similar negative phenomena, that "official profiteering" is also rational, legal, and to be ever present? Bluntly said, therefore, adducing the rent-seeking theory to explain "official profiteering" and similar negative phenomena would actually amount to exonerating the universally hated acts of "official profiteers."

#### Examples of 'Power Worship'

40050223.A Beijing LILUN XINXIBAO  
[THEORETICAL INFORMATION] in Chinese  
12 Dec 88 p 3

[Article by Hao Xiang 6787 5046 and Zhang Ping 1728 1627: "Four Occurrences of Power Worship"]

[Text] Power worship as an ideological concept cannot be seen or felt, but as an ideology it can certainly affect

man's social attitudes and actions and produce the social phenomena of power worship. Understanding these phenomena will allow us to explore the social mentality and even deeper strata of the mind with regard to power worship.

Presently, power worship is still occurring in the social life of China in the following four forms:

#### Type One: Status by Official Rank

Taking a person's official post or his official rank as criterion for an evaluation of the person's sociopolitical or economic position, and his status in life, has become an important principle in people's way of thinking. In the administration of society at large, it has become customary to use administrative ranks to differentiate between the various social groups, and to use administrative ranks to determine the specific duties and emoluments of each individual member of society.

The level of a person's official rank can actually be converted into a measure of power in his hands; one's official rank is in fact a measure of one's power base. It follows that "official position" is a "power position," and the reverse side of "status by official rank" is power worship.

#### Type Two: Despotic Workstyle

When people jointly organize a society, each member plays a certain social role in that society. Workers, peasants, tax officials, policemen, teachers, customs personnel, etc., each, according to the different tasks in the complex division of labor, performs a certain type of work, which is indispensable for the maintenance of social life. It is their responsibility to contribute their labor to safeguard normal social life.

However, in China's social life many see this responsibility as a kind of power. Because they play a certain social role, control certain things essential to social life, they look at it as having exacted certain power from society and from other people, and this makes them assume a despotic workstyle, where nobody would dare "twist the lion's tail."

This is a coarse and vulgar type of power worship. It transforms a relationship of responsibility and service toward society into a power relationship.

#### Type Three: Substituting Power for Law

Law must be conducted as a guide for the activities of all members of the entire society. The high degree of its gravity must find expression in practice, with absolutely no exceptions being allowed in the observance of and obedience to the law.

During the cultural revolution, a most preposterous and protracted farce was played out in that the law was trampled under foot by power. This kind of naked power worship, the substitution of power for law, is still occurring today. Many powerful personalities are still defining law as something merely to be used in dealing with their enemies or to restrain the masses, and not applicable to themselves. The shadow of power is frequently darkening the domain of law.

#### **Type Four: Using Power for Personal Gain**

In China's social life, some people regard power as more valuable than money and do not hesitate to convert power in their hands into wealth for their personal enrichment.

Such conversions take a great variety of forms. The most frequent form of impropriety by individuals is the giving or taking of bribes. It has already become an unwritten law in social intercourse that "no action will be forthcoming unless one is invited to a feast or presented a present."

Invitations to feasts and presenting of presents are not signs of respect by the powerless toward the holders of power, but are signs of power worship which the powerless offer up to powerful, in the hope of gaining something from that power. An official certificate is power, an official approval is power, a signature is power...whoever can dispense them can profit from them.

The phenomenon of the official racketeer that has appeared in recent years is an even more crass incidence of naked power worship. Social organizations or individuals controlling certain power will use the power in their hands to disturb the normal circulation of commodities, will take advantage of supply and demand constellations to profit from them, and in the end it is a matter of whoever wields more power will gain more profits.

These phenomena appear to be, or really are, part of economic life or workstyle, or of "concept of the legal system." But in reality they all reflect the mentality of the people with regard to power worship. The radical solution to the problem of eliminating what is commonly referred to as the "unhealthy tendencies" is the reform of the political system.

## NATIONAL AFFAIRS, POLICY

### Applying Western Macroeconomic Measures to Establishment of Market

40060228 Beijing JINGJI CANKAO  
in Chinese 28 Dec 88 p 4

[Article by Ye Qiyuan 0673 1142 0337: "Viewing the Establishment of China's Market Mechanism From the Standpoint of Western Macroeconomic Control Measures"]

[Text] The Third Plenum of the 13th Party Congress called for the focus of reform and reconstruction during next year and the year following to be placed upon improving the economic environment and rectifying the economic order. An important element of this focus is to strengthen the government's macroeconomic control. Governmental macroeconomic control is a major tool for achieving economic stability, long-term development, and for dealing with all kinds of economic crises, not only in socialist nations, but in capitalist nations as well.

Following World War II, Western nations pursued Keynesian theory and stepped up governmental involvement in the economy. Macroeconomic control measures were improved, and government played a bigger and bigger role in preserving steady economic development. A prime example was "black Monday," October 19, 1987, when prices at the New York stock exchange plummeted. The Dow Jones Index dropped 508 points, which led to a worldwide drop in stock prices of 30 to 60 percent. But last year's stock crisis did not lead to the depression which followed the stock market collapse of 1929. On the contrary, because the governments of the Western nations responded quickly and adopted active measures of intervention while strengthening international cooperation, the negative effects of the crisis were quickly eliminated. Stock prices rose again. The present year, in fact, turned out to be one of unusually strong economic development among Western nations. Last April 7th, Tokyo's Nikkei Index surpassed its highest pre-crash point, and in August it reached a historical high. The U.S. GNP did not fulfil predictions that it would fall by at least 1 percent. The economic growth rate exceeded predictions, and investor confidence returned.

### Western Macroeconomic Control Measures

There are two basic types of macroeconomic control measures used by Western governments: financial (monetary) policy and fiscal policy. If the goal of economic policy is to control inflation, the government will control money supply and reduce demand for credit. Financial policies pursued at this time have three main strategies:

1. The central bank raises required reserve ratios for commercial banks, which forces them to loan less money. This lowers money supply, raises interest rates, and thus reduces society's total demand for capital.

2. The central bank raises the rediscount rate, which raises the cost of money, thereby lowering society's total demand for capital.

In order to reduce society's effective demand for capital, Western central banks, as wholesale distributors of capital, must raise interest rates; commercial banks must also raise interest rates. At present, prices in the U.S. are rising at no faster than a 4 percent rate. Interest rates at the Federal Reserve Bank are 6.5 percent, while the commercial banks' prime interest rate stands at 10.5 percent. In the early 80's, on the other hand, in order to control inflation, commercial interest rates reached approximately 24 percent.

3. Central banks operate in the open market. In inflationary periods, for example, they sell government bonds in order to curb bank loans, restrict business investment, and reduce total demand for funds.

In Western nations, the great majority of government bonds are bought by banks. Purchase of treasury bonds not only yields a profit, but has a greater safety factor, so enterprises and individuals are very willing to buy them. For this reason, central banks are able to control and regulate money supply by buying or selling government bonds.

During inflationary periods, the primary fiscal expenditure measure used to achieve reduction of total demand for capital is to reduce fiscal expenditures, including expenditures on public works, governmental purchases, administrative expenses, etc. Fiscal income policy uses the measure of increasing governmental tax revenues.

### China's Macroeconomic Control Measures

China's economy is, in reality, still a commodity economy. The law of value (law of the market) still plays a major role. In the past, under the controlled economy, China overlooked the function of the law of value, and primarily used administrative measures to exert control over economic activity. This gave rise to many abuses, and is no longer appropriate for development of the economy and production. A unified understanding of this problem has produced decisions which have influenced China's implementation of economic reforms and have influenced the world economy as well.

However, management techniques, which is to say the primary methods of economic control which are effective in the West, while existent in China, do not easily bring about the desired results here. Let us continue using the examples of Western financial and fiscal techniques.

Reform of China's financial system clearly lags behind the overall progress of economic reform. China established the Central Bank in 1983. In 1985, the reserve system began to be implemented, with a required reserve ratio of 10 percent. This ratio was raised to 12 percent in



1986, and to 13 percent in early 1988. When the Central Bank raises the required ratio of deposit by one percentage point, the corresponding contraction in money supply should be 25 to 30 billion yuan. However, because the measures were not exercised as part of a coordinated package, at the same time that credit curbs were in effect, too much money was issued. This year's excess money in circulation will reach approximately 40 billion yuan or more, which will make it difficult for the reserve system to have any effect.

China's banking system does not charge high enough interest rates on loans. In September of this year, the interest rate on loans was raised to 9 percent, but across the nation prices showed a 25.4 percent increase over the same period of the previous year, and had risen during the year to that point by more than 20 percent, so the actual interest rate was negative. Interest rates will have to be raised to at least 20 percent if they are to be used as a lever to stabilize deposits and credit. Under the present circumstances in China, in which only the commercial sector is liberalized while the production sector is still subject to strict price controls and high taxes, four situations may occur: (1) Only work units and individuals engaged in highly profitable commercial activity will be able to bear the burden, though they cannot increase efficient supply. (2) Unsolved problems of weak budgeting will cause some borrowers to take out loans without thought toward the cost of funds, though they have neither the intention nor the ability to repay them. This type of dead loan, in the end, would constitute a burden on national finances. (3) If the law of the market and the Bankruptcy Law are strictly adhered to, some enterprises will face bankruptcy (and, due to the irrational price structure, they will not necessarily all be inefficient enterprises). (4) If interest rates are kept low, state subsidies will be necessary. In the first place, this will create an excessively heavy load on state finances; in the second place, it will not be conducive to reform of the financial system, and will throw bank management into chaos.

Operating in the open market, in China's situation, is basically useless. In the first place, the government bond secondary market is not fully developed.

In the second place, the interest rates on government bonds are too low, and they are not very attractive. Purchase of China's government bonds has taken on a semi-mandatory status; it has become a type of patriotic duty, rather than an investment. It is unlikely that government bonds exchanged in this manner could play any large regulatory role.

Because financial management is unlikely to have much effect, administrative measures must be relied upon; planned apportionment of loan amounts must be carried out. However, because of the practice at the local level of such measures as the local assumption of fiscal authority, local governments often have "inflexible shortages" when turning over revenue to the state, in order to force

the central government to issue more currency and raise credit ceilings (for example, if there is a shortage of funds for purchase of agricultural sideline products, local governments will force the central government raise money supply). This causes planned credit ceilings to be surpassed time and again.

The primary tool of Western fiscal policy is to change tax rates and fiscal expenditures (secondary distribution) to regulate the economy. The primary tax payer in China is not the same as in the West (a large portion of Western tax revenues come from individual income tax). In China, the enterprise is the primary source of taxes, and the tax system is, moreover, very complex. Different types of taxes are not clearly defined, and tax rates are too high. Therefore, there is not much opportunity to use taxes as a lever of economic control. However, fiscal expenditure policies do indeed play a clear role in China's economy. This is not only due to the fact that the various levels of government, under China's traditional economic system, are China's biggest investors; it is also because the government is a very large nonproductive consumer. In a controlled economy, it is very easy to expand or restrict fiscal expenditure by administrative fiat. For example, in a period of restriction, the scale of infrastructural development can be limited. Suspending construction of buildings, auditoriums, etc., or reducing the purchasing power of social groups can reduce society's demand.

However, since the decentralization of power and local assumption of fiscal authority, the relative fiscal power of the central government has declined, and the regulatory effect of fiscal policy has clearly been weakened. In 1987, 234.7 billion yuan of China's fiscal revenues came from within the state plan, while funds from outside the state plan accounted for 193 billion yuan. Investments by the central government in fixed assets only accounted for one-third of the national total. The effort of all localities to keep up with the rate of economic growth is continually inflating the level of investment and worsening industrial structure. The central government lacks new measures of control, and must wait for the contradictions to heighten before they can use administrative measures to carry out compulsory intervention.

#### Effective Economic Control Measures and Conditions

Any measure of economic control requires a corresponding set of mechanisms of conveyance if it is to have any effect. The reason why Western economic control measures have no effect in China, or have distorted effects, is that the economic mechanisms are not the same.

The market economy is both the base out of which Western macroeconomic measures sprang, and the target of those measures. The primary characteristic of market operation is its "unseen hand," which automatically controls economic activity.

China's ability to switch from the previous administrative methods of macroeconomic control to economic methods depends on the maturity of its market mechanism, and the skill with which the state uses indirect market control mechanisms.

First, different types of markets must be mature. Not only are markets for finished goods needed, but even more necessary are markets for component goods, including the means of production, raw materials, labor, funds, technology, etc. Presently, in China, however, these markets are either newly established, and immature, or totally nonexistent.

Secondly, markets must carry out their functions. Market data, especially on prices (including wages, interest rates, and exchange rates), must be complete and accurate. In China, however, the irrational price situation remains basically unchanged. There must also be clear market regulations, such as rules governing trading behavior, in order to achieve a fair marketplace. In China, however, all the market laws and regulations are extremely unsound. For example, the dual track system is clearly contrary to the principle of a fair marketplace.

Thirdly, enterprises must be autonomously run, responsible for their own profits and losses, and self-regulated. Enterprises must not base their decisions concerning product mix and production facilities solely on the basis of supply and demand, but must also consider product price and the scarcity of component goods as reflected in component prices.

Even more importantly, perfection of the market system is not merely a question of the system itself, but depends above all on the level of development of productive forces. The fact that China's market economy is not highly developed is due both to the workings of the traditional system, and to the backwardness of productive forces. For example, in a situation where transportation and communications infrastructure are underdeveloped, the establishment of any kind of unified market is virtually impossible. The macroeconomic control measures of Western nations evolved only after economic development had reached a certain stage; but in our economic research, we have usually overlooked the factor of productive forces, and have hung our hopes instead on reform measures which produce instant results. To take an example from agricultural reform, when the policy of "assigning output quotas on a household basis" was put into effect, production of edible grains increased by approximately 200 billion jin. "Assigning output quotas on a household basis" allowed the incentive mechanism to take effect, but this could only happen once. In recent years, agricultural output has hovered around the same level. Not only does the agricultural system require further reform and perfecting, but more importantly, from the standpoint of productive forces, agricultural inputs have not increased, technology has not been developed, and methods of

production have not changed, for which reasons agriculture is not likely to make further progress. Because China presently lacks the environment in which to exercise policies of macroeconomic control, impatience to borrow wholesale from Western methods of macroeconomic control would not only fail to bring results, but would be dangerous.

The only way to implement the new system in which "the state regulates the market, and the market guides enterprise," is to carry out a series of coordinated reforms. We must vigorously develop China's market mechanism. As the market matures and improves in the performance of its function, we will gradually achieve the goal of regulating the economy through economic measures.

### Speed Up Establishment of China's Market Mechanism

In order to establish the new system in which "the state regulates the market, and the market guides enterprise," the most important goal of reform is to switch from the original administrative measures, to utilization of the market mechanism to allocate scarce resources. Therefore, price reform is in a position of key importance. But if price reform is to be effective, the existence of enterprises which have stricter budget restraints and respond sensitively to the market is a prerequisite condition. These conditions, together with price reform, would be mutually prerequisite and mutually dependent; without one the other could not function. Therefore enterprise reform must be carried out simultaneously with price reform. In addition, they must be coordinated with reforms of the tax, fiscal, financial, and foreign trade systems.

I believe that the reason why there are problems with the reform philosophy which calls for decentralization of power and financial control is that we have not completely shaken off the traditional philosophy, which seeks only to adjust the relationship between state and enterprises. The state and enterprises both hope for more power and financial control. Therefore, decentralization of power and financial control lack a concept of "degree." It is impossible to arrive at the optimum balance between the two simply through regulation; it is necessary to insert the market mechanism between them.

The object of our economic reforms is precisely to coordinate the following three reforms: strengthening of enterprises, perfection of the economic system, and rounding out of macroeconomic control measures. The goal of these measures is to establish an operating mechanism whereby "the state will regulate the market, and the market will guide enterprise." Early formation of a competitive market and a rational price structure are the levers for successfully establishing market-oriented reform. Therefore, the issue of price reform can neither be skirted nor postponed for too long. With the present high rate of inflation, slowing the pace of price reform is appropriate, and it is precisely in order to carry out price

reform more effectively that we must resolutely bring these reforms back on stage as quickly as possible after inflation has been brought fundamentally under control.

In summary, I believe that Western macroeconomic control measures were gradually perfected during several hundred years of economic development, and that there are facets appropriate to the private ownership system of Western capitalism, just as there are facets appropriate to large socialist production. Among these, such economic measures as the use of interest rates as a lever to regulate credit supply, are completely applicable in China. The reason why some Western macroeconomic control measures are unlikely to have much effect in China is that our market system is not mature, and it does not perform its function to the fullest. Therefore, it is dangerous to rush out and borrow indiscriminately. The purpose of our reforms is precisely to speed up development of the market, and gradually switch from administrative allocation of resources to market allocation of resources, in order to establish a system in which "the state regulates the market, and the market guides enterprise."

## PROVINCIAL

### Problems of Price Reform Cited

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[Article by Chen Zhao 7115 2507 of the Financial Department of the Central Financial and Monetary Institute: "Several Problems With Chinese Price Reforms"]

[Text] The realities of reforms have brought price reform before the people. To guarantee that price reforms proceed smoothly, we must have a definite and clear understanding of the opportunities, conditions, and appropriate measures that should be taken.

### I. The Opportunities and Environment of Price Reforms

Since the onset of rather extreme price increases this year, some comrades believe that the main problem currently facing economic operations is inflation caused by excessive demand, and in this type of environment, implementing price reform is extremely risky. Therefore we should first manage the environment and then later promote price reform. However if we examine this problem from the wide background of China's economic reforms and economic development, we will see that the problems we are presently faced with are that if we do not release prices there will be no possibility of realizing basic improvement in the overall economic environment. For example, looking at the industrial economy, in recent years, supplies of basic industrial products have been extremely tight and price increases in raw materials and industrial products put into production have acted as strong cost drivers for the overall commodity price

level. The reason for this situation is that the rate of capital accumulation for the processing industries has been too fast, whereas there has been insufficient investment in basic industries. However the main reason is perhaps that under the "double-track system" prices for primary industrial products were set too low, which resulted in an extremely bad price guidance in the investment structure after investment rights were released. As another example, in the narrow crevices of the "double-track system," large numbers of parasitic intermediary organizations developed, on the one hand adding fuel to the flames of price inflation of industrial products put into production, and raising the entrance costs for the processing industries; on the other hand, cutting off the channels for basic industries to directly draw profits from the market price, making it so the profits from price increases for production materials could not really fall into the hands of the producers. In this situation, no matter how the prices of basic industrial products rose, there was no adjustment in the investment structure or increased investment in basic industries. Therefore, our only choice is, starting now, to gradually release the prices of production materials. Only in this way can we knock out the large group of abnormal intermediate organizations, rapidly even out the asset and income levels of basic industries and general processing industries, and eliminate at the roots the mistaken guide of twisted prices in the investment structure. This is the only hope of bringing about fundamental improvement in the overall economic environment. Therefore, from this perspective, environmental management is not a prerequisite of price reforms, but rather is the result of price reforms.

As far as reform opportunities go, even though we cannot say that now is the best time to release prices, we can at least say that the current economic condition offers an opportunity for price reform. This is because the continuing expansion of the economy provides a corresponding material foundation for gradual release of prices. International experience also shows that price reform has a better chance of success during continuous economic growth than during halted or contracted production. At the same time, during the more than 9 years of reforms, the operational mechanisms of China's economy have already undergone great change, especially in that price elasticity of supply has already been greatly increased, and this offers the possibility of and foundation for supply to make appropriate adjustments within a new price system once prices have been released.

### II. Resistance to and Problems Involved With Price Reforms

In a shortage economy, microeconomic organizations have a rather strong tendency to raise price, therefore as soon as the government relaxes its management over prices the overall commodity price level will inevitably float upwards. Therefore one of the most difficult problems we will face is whether effective measures can be adopted to control prices within a certain range during the process of price reform while maintaining continuous economic growth.

Up to now, there has historically never been a completely successful precedent for establishing a commodity economy (market economy) on a foundation of public ownership. One commonly encountered problem is that public ownership (regardless of whether it is of the state ownership or collective ownership type), as soon as it links with a market economy, it inevitably results in expanded shocks to personal income. And in a market economy the tendency for personal income in enterprise behavior can produce a mutual rolling, spiraling inflation between wages and prices. It is very clear that in the Chinese economy the problem of short-term behavior of enterprises is very serious, and under these conditions to release prices would be to face the great risk of income and price cyclical inflation.

Many people think that price reforms are always a premonition of release of prices, but actually this perception is not accurate. In fact, if you really want to obtain an efficient and stable market and get rid of the price setting approach, in addition to being able to rapidly and sensitively reflect the relative changes in scarcity of each product you must even more importantly have a whole series of effective market organizations, matched with the market system. In the past few years, in the "pearl net fluctuation [zhu wang bo dong 3796 4986 3134 0520—i.e. 'domino theory']" of grain and live hog production, along with causing excess competition in domestic and foreign trade, it not only increased the overall economic and production costs, but also enlarged the economic fluctuation. This illustrates that by releasing prices in the absence of scientific market organization and a set of rather complete system conditions, the energetic effect of the market mechanisms will be unable to be completely activated. The problem is that a market economy is practically a blank for new China; commodity economy organizations and system construction are beyond our experience. Therefore, whether or not we can mend the holes in market organizations after releasing prices and create a new systematic system is the grim battle currently facing us.

Recently, rapidly expanding factor input into basic industry and agriculture and increasing the effective supply of basic industrial products and agricultural sideline products is the lever for stabilizing market prices and quickly getting over the "labor-pain period" of price reforms. However, at present the problem we face is that the accumulated energy we have obtained from our accumulated experience is already approaching "exhaustion point" and it is very hard to get large quantities of capital for large scale basic industry and basic construction. Therefore, if we cannot open up a new path and find a new method for adjusting the investment structure, in the future the "sluggishness" of basic industrial and agricultural development will put extreme pressure on the whole commodity price structure.

### III. Coordinated Measures for Price Reform

1. Large-Scale Upward Adjustment of Interest Rates. China's factor substitution exhibits contradictions.

According to reason, in an economy with relative shortages of capital and plentiful labor the interest rate level should be raised and the wage level should be comparatively low; only in this way will industry be encouraged to develop towards the concentration of labor, conserving the effect of capital, and raising national economic savings or accumulation capabilities. However China's interest levels have been low for a long time. This condition not only stimulates an expansion of borrowing and investment activity, it also severely inhibits the savings and accumulation capabilities of the national economy. Especially after prices have been released, if high commodity prices cannot be fundamentally changed, the low interest rates will stimulate the economy in a negative way, so that regardless of whether its the continuous expansion of the scope of borrowing or the drop in savings levels, both effects will greatly threaten price reform. Therefore, one of the most important conditions of assuring successful price reform is raising interest rates on a large scale, holding down the scale of investment and consumption, and raising savings or supply capabilities. It is worth emphasizing that in the current situation where we still have not found an effective path to fundamentally resolve income inflation, when the high interest rates take a rather large portion of household income and directs it towards savings, it is possible that we will be going down a road where there is high income but not necessarily high consumption. South Korea, Japan, and other countries have made use of large scale increases in interest rates to stabilize their economies, and thereby obtained large quantities of capital for their countries' economic development. As far as China is concerned, we also must pass through a phase of high interest rates.

2. Displace Already Existing Capital. China's capital structure is extremely unreasonable (processing industry is too big, basic industry is too small). If we could displace a portion of the capital from the processing industry and use it in the construction of basic industry, this will greatly resolve the problem of insufficient government accumulation capability. From the current situation we see that selling small state-owned enterprises may be an effective path to follow for displacing already existing capital. For China's small state-owned enterprises, the net asset value is about 160 billion yuan. If this capital is sold off over 5 years, then every year 30 billion yuan of capital can be displaced for the government. Currently, China's annual extra-budgetary investment is around 100 billion yuan, and it is entirely possible to transfer from that amount around 30 percent or so of the capital. An important question is that by selling small state-owned enterprises not only can you satisfy the investment tendencies of microeconomic organizations, you can also take extra-budgetary investment from the processing industries and direct it towards basic industries, thereby rapidly improving the tight supply conditions of basic industrial products and relaxing the constraints placed by the structural contradictions on commodity price levels.

3. Form New Organizations and Systems. First we must go one step further to reform the circulation system, and on the foundation of functional transformation, restore and set up a group of wholesale organizations with economies of scale that would, between production and the market, create a "buffer structure," relaxing the price explosions caused by fluctuations in the production period. At the same time we should quickly open up futures trading and lower the transaction costs of commodities. It is worth emphasizing that after prices have been released we must be particularly careful to use legal measures to set a whole set of transaction regulations that are appropriate for free, peaceful competition, and avoid the various types of problems encountered in our original market where we frequently saw behavior that infringed on people's rights and was deceptive and disrupted the doing of business and functioning of the market.

#### IV. Ownership: Precondition and Starting Point for Price Reform

Looking from the basics, whether or not China's price reforms will succeed finally rests on the real quality of ownership reform. If there is no main body of a real market and we release prices we will be unable to create a real market economy. The experience of some Eastern European countries already demonstrates this point. Looking at China's current condition, the contract system, stock system, and other reforms, although they have had some successes, have not been able to fundamentally resolve the problem of short-term behavior. This causes a problem for the people: on the foundation of public ownership is it actually possible to form a transaction body that will be compatible with the operation of a market economy and has the special features of standardization? Therefore, I believe that we should look at today's reforms from the high perspective of the benefit to the race and national existence, and engage in even bolder thinking and experimentation about ownership reforms. In actuality the success or failure of ownership reforms will not only affect the future of price reforms, it also directly affects the future of our overall economic development.

### FOREIGN TRADE, INVESTMENT

#### Problems in Developing Export-Oriented Economy at Soviet Border

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[Article by Wang Zhong 3769 1813: "A Study of Several Problems in Developing an Export-Oriented Economy in the Heihe Region on China's Northern Border"]

[Text] The central government's general policy of reform and opening to the outside world, the implementation of an economic development strategy in China's coastal zones, Heilongjiang Province's economic strategy of

"linking with the south and opening to the north," and the gradual growth of border trade and economic and technical cooperation with the Soviet Union at Heihe on China's northern border have made development of an export-oriented economy an important new problem for the Heihe region. Many theoretical and practical problems need to be studied and solved, but exploratory views will be given here on only a few major ones.

#### I. Heihe Is Faced With a Historic Change

The Heihe region on China's northern border has entered a new growth phase of all-out opening and development, which has required and spurred its regional economy to change and develop mainly in the direction of an export-oriented economy that is coordinated with its domestic economy. This historic change is both a good opportunity and also a general trend. Its objective bases are as follows:

A. In the present age of opening to the outside world, the industrial structure is opportunely changing for the third time and the coastal zones are taking the lead in implementing an export-oriented economic development strategy that is affecting the overall situation and in getting more involved with international markets. It was inevitable that this would radiate inland and enable China's policy of opening to the outside world to snowball from south and east to north and west. It was inevitable that this new opportunity and these new conditions that affect the overall situation would play an active role in the Heihe region's development of an export-oriented economy.

B. The Heihe region's border trade and economic and technical cooperation with the Soviet Union have developed gradually. This is an especially good opportunity for the region's best growth prospects. The Heihe region borders on Amur Prefecture in the Soviet Union's far east zone. Its administrative seat is in the city of Heihe, which is the northern gate for opening Northeast China to the outside world, directly across the Heilongjiang River from the city of Blagoveshchensk which is the capital of Amur Prefecture, and a large port on the 5,000-km Sino-Soviet border. The port of Heihe has become a major land route port for diversified trade between China and the Soviet Union (reaching as far as Eastern Europe and Northeast Asia). Border trade between Heihe, which is the "initiator," and the Soviet Union has moved from initially experimental "minor trade" to a phase of sizeable volume. The volume of border trade reached 30 million Swiss francs in the first 5 months of 1988 alone, and economic and technical cooperation between the two sides has begun to move from a planning to a practical phase. Moreover, border trade has also opened up between Xunke and Sunwu counties at the Heihe frontier and the Soviet Union. The region's volume of border trade is expected to top 100 million Swiss francs by 1992. Thus, this rapid "opening

to the north" presents the Heihe region with both a special opportunity and also a pressing need to speed up its development of an export-oriented economy.

C. The Heihe region is one of China's production bases that supply export products. The amount of export products that is supplied for China by the Heihe region has been increasing day by day in the past few years. One hundred million yuan of export products were procured there in 1987, or 67 percent more than in 1985. By 1992, this figure may very well reach 250 million yuan. Even though the Heihe region is just a "supplier," this business has still provided the necessary conditions for development of its export-oriented economy.

We must use a highly strategic approach to thoroughly understand the far-reaching significance of this historic change. It should be seen that almost all of the economically developed countries and regions throughout the world relied on opening to the outside world to develop their economies. The rapid growth of certain of China's coastal zones in the past decade has also relied without exception on the policies of opening to the outside world and stimulating the domestic economy.

Thus, Heihe should conform to the general trend, seize the advantageous opportunity, fully utilize its resource advantages, speed up its development of an export-oriented economy, better develop its "initiator" and "supplier" roles in opening to the outside world, promote the economic development of the whole region, and realize as quickly as possible the great goals of vigorous development, building up the border region, and enriching the people.

## II. Heihe Must Use Its Own Distinctive Approach

China's coastal development cities, SEZs, and EDZs have accumulated much valuable experience in developing export-oriented economies and taking part in international exchange and competition. Heihe should study and use this experience for reference, but not copy its particular forms and methods. Since the Heihe region on the northern border is very different from the coastal zones in the south in many areas, such as geographical conditions, natural resources, development history, economic foundation, scientific education, and social relations, its development of an export-oriented economy should be based on actual local conditions. The Heihe region should develop its advantages, overcome its disadvantages, and reflect its own characteristics.

In developing an export-oriented economy, the Heihe region is different from the coastal zones in the following major ways: 1. From the perspective of the target and form of its foreign economic contacts, its geographical position is not directly facing all capitalist countries but rather the zone bordering on the socialist Soviet Union, and its form of exchange is trading by exchanging goods of equal value and not by using foreign exchange. Its trade with certain capitalist countries and regions is

realized indirectly through supplying export products to the state; 2. From the angle of its border trade export products, since the Chinese side is mainly agricultural and the Soviet side is mainly an industrial zone, China's means of subsistence, such as agricultural sideline products and light textiles, are mostly exchanged for Soviet means of production, such as farm machinery and building materials, forming a mutually complementary setup wherein agriculture is traded for industry, light is traded for heavy, and each supplies what the other needs; 3. From the angle of its conditions for developing an export-oriented economy, since Heihe is an undeveloped region with exceptionally rich natural resources and a huge potential for development but inadequate funds, a shortage of qualified personnel, and backward technology, it must have outside aid; 4. From the angle of the extent that an export-oriented economy should be developed, based on Heihe's rich raw material resources and the neighboring Soviet's needs, economic development should be mainly "50 percent" or "75 percent" but not "100 percent" export-oriented. Since economic cooperation with the Soviet Union is limited mainly to barter trade, most of it should be development of trade enterprises for "the three forms of processing and compensation trade" and labor export and relatively little for "the three kinds of foreign trade enterprises"; 5. Technology imports are mainly moderately advanced technology from the Soviet side that are suited to the economic development needs of the undeveloped region on the Chinese side.

These characteristics show basically in a focused way that the productive forces in the Heihe region are still in the initial phase of the transition from traditional agriculture to industrialization and can be said to be a whole phase of historical development behind those in the relatively developed coastal zones. In addition, since the Heihe region's direct target in opening to the outside world is different than in the coastal zones, its development of an export-oriented economy cannot be the same, but must take a different, lower-level form. After tentatively studying this problem, I think that the Heihe region should use a new approach in a "dual series form." That is, it should roughly use its dual resources (foreign and domestic) to develop an economy that is both domestic- and export-oriented. Since it is oriented toward two markets, it should carry out a dual economic circulation that is an organic combination of domestic and foreign. It should consider its dual position (north toward the Soviet Union and south toward capital) and combine its role of "initiator" in northern trade with its role of "supplier" in southern trade. It should use dual importing (importing advanced technology and capital from both China and abroad) and combine transformation of existing enterprises with construction of new ones in order to promote overall development of its economy focused on agriculture and light processing industries. In summary, as long as Heihe continues to learn and

conscientiously sum up its experiences, it will certainly be able to reach a scientific conclusion and use a new distinctive approach that can bring its advantages into full play.

### **III. Heihe Should Use Foreign Trade as a Handle To Revise and Improve Its Economic Structure**

Realization of an export-oriented economy in the Heihe region will require full development of its economic advantages, vigorous development of its export products, active participation in international exchange and competition, constant expansion of its ability to barter and earn foreign exchange from exports, and achievement of fairly substantial results. Thus, the Heihe region should proceed from its own actual conditions, orient itself toward international markets focused on Soviet border trade, and set up a rational product mix, industrial structure, and production systems that can deal with all contingencies.

In order to revise the economic structure in the Heihe region according to its particular conditions, the following guiding principles must be upheld: 1. The principle of coordinating and paying particular emphasis to each of its dual resources, dual markets, and domestic- and export-oriented economies must be upheld. Generally, both aspects must be coordinated and not isolated from each other, but particular emphasis must be paid to each without applying measures indiscriminately. In different areas, different industries and products in particular, special emphasis must be paid to developing different aspects. Moreover, the difference in emphasis is not invariable, but changes according to time, place, and conditions. This both is quite realistic and also leaves room for maneuver; 2. The revision principle of giving consideration both to the south (for capital) and the north (the Soviet Union) while focusing on northern Soviet trade must be upheld. Revision will be facilitated by giving full play to the roles of "initiator" in northern trade and "supplier" in southern trade; 3. The guiding principle of raising the level of productive forces must be upheld. Thus, emphasis must be placed in the near future on developing labor-intensive industries in order to lay the foundation for gradual development of capital-, technology-, and knowledge-intensive ones. Of course, labor-intensive industries must also actively use advanced technology and improve their product quality, and particularly must work to transform primary products made of raw materials into highly-processed ones with increased value.

When revising the industrial structure and product mix, emphasis must be laid on developing priorities. The Heihe region should develop mainly agricultural, livestock, local, and specialty products, such as soybeans, cattle, flax, goose down, ginseng, melons, fruit, and vegetables, light processing industries, such as food,

textiles, clothing, and wood products, and the goldmining, construction materials, and tourist industries. Relevant industries should be developed in coordination with these.

The aim of developing an export-oriented economic structure is to coordinate trade, industry, and agriculture. The economic structure should be revised to gradually form a production system that coordinates agriculture with trade, industry with trade, and industry, agriculture, and trade. The experience of the coastal zones shows that this kind of production system not only is well-suited to the needs of developing an export-oriented economy, but also is favorable to developing the domestic economy. The key in Heihe will be to set up and develop a number of light processing industry and agricultural sideline product production bases aimed at barter and earning foreign exchange through exports and to develop a number of fast-selling industrial and agricultural products that can compete on international markets.

### **IV. Heihe Should Strengthen Its Economic Circulation Links With the Interior**

Development of an export-oriented economy and direct development of border trade and economic and technical cooperation with the Soviet Union are component parts of the Heihe region's participation in the great international circle and can be called export-oriented circulation. But this export-oriented economic circulation needs the participation and support of the interior and the coastal zones in order to grow. Its objective bases are as follows: 1. The Heihe region needs the support and cooperation of the interior and the coastal zones in areas, such as capital, technology, and labor, in order to develop its natural resources and export-oriented enterprises. On the other hand, development of Heihe's natural resources can also supply the interior with certain raw and processed materials and semifinished products that it needs; 2. Quite a few of the products that Heihe exports directly in its border trade must be supplied by the interior. Heihe cannot produce all of its own export products now, nor will it be able to in its future economic development. Moreover, Heihe also acts as an agent in exporting through border trade certain superior staple products from the interior that the Soviets need. On the other hand, many of the industrial raw and processed materials, agricultural means of production, and technical equipment that Heihe imports through border trade are needed in the interior; 3. Development of many economic and technical cooperation projects between the Heihe region and the neighboring Soviet zone also need support and help from the interior. There must be cooperation between the interior, Heihe, and the Soviets. Obviously, development of economic links by the Heihe region with the interior and the coastal zones is necessary to further opening to the outside world and development of an export-oriented economy. These links coordinate the Heihe region's resource advantages and means of production imported through border trade



with the interior and the coastal zones' advantages in capital, technology, and talent and coordinate its export-oriented economy border trade export advantages with interior markets, with each playing up its advantages and supplementing the other's disadvantages. They can both speed up the Heihe region's development of resources and an export-oriented economy and also promote development of a commodity economy in the interior. This is also domestic-oriented circulation. Domestic- and export-oriented circulation centered on the Heihe region coexist, promote each other, and must continue to be expanded toward international markets.

Heihe must work outward from its center in accordance with the laws of commodity economy development, constantly advance and strengthen its lateral links with the interior economy based on equality and mutual benefit, and gradually form an economic network that is based on itself, backed up by two cities (Harbin and Qiqihar), oriented toward the northeast, and linked with the distant coastal zones. It must carry out many kinds, levels, and forms of cooperative ventures in areas, such as commodities, capital, technology, labor, and equipment. In particular, it must work at cooperative development and welcome people from the interior to set up independently-funded enterprises in Heihe. Moreover, communications links between the port city of Heihe and the interior must be vigorously improved and the commodity economy circulation network must be truly invigorated. In order to fully implement the guiding principle of "linking with the south and opening to the north" that was proposed by the Heilongjiang provincial party committee, linking with the south must also include welcoming businessmen from capitalist countries and regions, such as Japan, Southeast Asia, and Hong Kong, to take part in the cooperative development of Heihe.

#### **V. The Port of Heihe Must Be Turned as Quickly as Possible Into a Completely Open, Modern City**

The city of Heihe is both the political, economic, and cultural center of the Heihe region and also a port and a window for opening to the outside world on China's northern border. In order to constantly improve and expand its capacity to attract and radiate, speed up development of its export-oriented economy, fully develop its role as a port city, and truly adapt itself to the needs of opening to the outside world, the city of Heihe should be turned as quickly as possible into an economically prosperous, scientifically and technologically advanced, scenic, and cultured modern city.

Much progress has certainly been made in the transformation and construction of urban Heihe in the past few years, but this has been only a bare beginning and there is even more work that must be done. In the next 5 years, further emphasis must be put on dealing with the following three matters in a guided, planned, and systematic way: 1. Construction of Heihe's urban infrastructure must continue to be improved and work must be done to

improve its investment climate; 2. Heihe's port facilities must continue to be transformed and expanded to raise its port traffic capacity from 800,000 tons to about 1.5 million tons and a good job must also be done of building complete facilities. Moreover, its water transport capacity and river tourist facilities must be gradually expanded; 3. The present highly favorable opportunity must be seized, domestic- and export-oriented forces in all areas must be mobilized and organized, and a "micro-climate" for opening to the outside world must be built and developed as quickly as possible in urban Heihe. In other words, a place should be set aside with a street for processing export products and possibly other streets for commerce and tourism. This would be better than simply setting up an EDZ in that it would save money, be suitable, and also be coordinated with construction of the port city. Of course, this would certainly require a certain amount of money. Thus, Heilongjiang Province and the state should be called upon to provide certain special policies for construction of the port city of Heihe.

#### **Beijing Exports Top \$1 Billion in 1988** *40060200b Beijing GUOJI SHANGBAO* *in Chinese 27 Dec 88 p 1*

[Article by Li Jian 2621 0256 and Liu Lei 0491 7191: "In the First Year of Carrying Out a Dual Contract Responsibility System, Beijing Foreign Trade Exports Topped \$1 Billion; 123 New Foreign Trade Enterprises Were Approved, Setting a New Record"]

[Text] Beijing carried out a dual contract responsibility system for the first time in 1988 and all foreign trade and industrial trade enterprises throughout the municipality surpassed their three contract targets ahead of schedule. By 20 December 1988, Beijing Municipality exports had reached \$996 million and were expected to top the \$1 billion mark in 1988 and set a new record. We learned this from the Beijing Municipality Foreign Economic Relations and Trade Conference.

In 1988, Beijing Municipality emphasized improvement of its investment climate for foreign businessmen and also made new advances in absorbing foreign capital. From January to November 1988, 123 new foreign trade enterprises were approved, or almost one-half as many as in the last 9 years and a new record. Agreement was reached on \$378 million and foreign capital was absorbed amounting to \$127,500,000. Since the policy of opening to the outside world was instituted, investors from more than 20 countries and regions have come to set up enterprises in Beijing. Beijing has now approved 384 foreign trade enterprises, reached agreement on \$3.83 billion, absorbed \$1.777 billion of foreign capital, and actually used about \$900 million of foreign capital. In 1988, Beijing achieved remarkable results in using loans from foreign governments and approved more than \$300 million for new projects, mainly to build municipal government facilities, such as a subway, a cement plant, a sewage treatment plant, and a power



storage station. Beijing Municipality has now used loans from 11 foreign governments amounting to almost \$600 million, of which 60 percent was from Japan and 25 percent was from Italy.

Guided by the policy of reform and opening to the outside world, Beijing Municipality has also made good progress and achieved encouraging results in its other foreign economic relations and trade work.

1. Technology Imports: From January to October 1988, Beijing signed 226 foreign technology import agreements for \$83.51 million, which is expected to reach \$100 million by the end of 1988. Beijing's 1988 technology imports can be characterized as follows: government loans (including gifts) were the major source of investment, accounting for 48.9 percent; the use of government loans by districts and counties to import technology has increased; technology import investment was directed mainly toward light textile export industries, accounting for 44.5 percent.

2. Foreign Contract Projects and Labor Cooperation: From January to October 1988, Beijing signed contracts for 40 new projects amounting to over \$8.82 million, completed a volume of business of \$5.73 million, and earned \$5.61 million in foreign exchange. A volume of business of \$7.7 million is expected to be realized by the end of 1988.

3. The number of foreign businesses in Beijing and the number of employees engaged to work in them have increased. From January to October 1988, 142 new foreign businesses were set up in Beijing and there are now 1,060 foreign businesses in Beijing. Of these, 621 from 26 countries and regions have signed employment contracts with the Beijing Municipal Foreign Trade Enterprise Service Corp, hired over 2,600 employees, and achieved better economic results.

4. The number of Beijing's overseas joint ventures has increased. Most of the 10 overseas joint ventures that Beijing approved in 1988 are production enterprises that require little investment and achieve quick results. Beijing invested \$4.35 million in them and now has 40 overseas joint ventures in 14 countries and regions.

5. Beijing has actively developed international trade promotions. In 1988, the Beijing Municipality branch of the Trade Promotion Association organized and sponsored 6 foreign exhibitions in China and organized 80 technical interchanges. Beijing's development of international trade promotions has played a positive role in linking up domestic and foreign relations and promoting trade development. In addition, long-range progress has also been made in Beijing's customs and commercial inspection work.

Zhang Ming [1728 2494], chairman of the Beijing Municipal Foreign Economic and Trade Commission, pointed out at the Beijing Foreign Economic Relations

and Trade Conference that was held on 23 December 1988 that Beijing Municipality's 1989 foreign economic relations and trade work must give a dominant role to reform, uphold the strategy of developing an export-oriented economy in the midst of reorganization, and make new advances in opening to the outside world. Wu Yi [0702 0308], vice mayor of Beijing Municipality, emphasized in her speech that Beijing's foreign trade exports will be faced with a grim situation in 1989, that there will be striking shortages of materials and capital, and that foreign trade commodity procurement will be faced with even worse problems. She went on to say that the vast numbers of staff members and workers in Beijing's foreign trade must use all possible means to actively organize sources of goods and fulfil foreign trade export plans; the export product mix must be further improved and efforts must be made to raise the percentage of machinery and electronics products along with developing traditional export products; internal reform of foreign trade enterprises must be improved, the foreign trade export dual contract responsibility system must be perfected, and emphasis must be placed on doing a good job of carrying out the three pilot projects of coordinating technology, industry, and trade, making production, supply, and marketing a coordinated process, and carrying out the foreign trade export agent system; when absorbing and using foreign capital, emphasis must be placed on developing wholly foreign-owned enterprises, and the percentage of foreign capital in Sino-foreign joint ventures must also be increased in order to alleviate shortages of matching capital. She concluded that Beijing must strive for new victories in foreign economic relations and trade in the midst of reorganization.

Gu Yongjiang [6253 3057 3068], vice minister of the Ministry of Foreign Economic Relations and Trade, and Chen Xitong, mayor of Beijing, attended the conference and issued statements.

## POPULATION

**Country's Population Growth, Economic Development Discussed**  
40060248b Beijing ZHONGGUO RENKOU BAO  
in Chinese 19 Dec 88 p 3

[Article by Jiang Zhenghua 5592 2973 5478 of the Population Institute of Xian Jiaotong University: "China's Population Growth and Economic Development"]

[Text] The marked results of China's family planning are there for all to see. However, the birth rate has picked up slightly in recent years, causing concerns among many people. This article will discuss the much concerned issue of population control from two approaches: the short- and long-term relations between population growth and economic development, and development goals and restricting conditions.

### Causes for the Decline of Birth Rate

The change of birth rate is affected by many factors. The results of the analysis of the intensity of such effects are similar regardless of the statistical method employed. The rise in birth rate became very obvious after 1986. This trend calls for our serious attention.

The factor that affects birth rate the most is the average age of first marriage. Raising the average age of the first marriage of women by 1 year can cause the total birth rate to decline by 0.578 percent. One of the major reasons for the rise of birth rate in recent years is a decline in the age of the first marriage of women.

The decline of the infant mortality rate can increase parents' confidence in the survival of their children, thereby reducing the total birth rate. The infant mortality rate is the second most important factor that affects the total birth rate directly. Because of this, improving health conditions is a supplementary means of birth control for promoting family planning in economically backward and impoverished areas.

Of course, the most basic of all factors is still economic development and per capita income. Although their direct effects on the change of total birth rate are very small, their indirect effects in different fields are significant. When per capita income goes beyond a certain level, qualitative changes occur in the lifestyle, and consumption takes on a whole new meaning, economic income probably will have a direct, obvious effect on the birth rate.

### The Effect of the Quantitative Change of Population on Economic Development

The short-term effect of population growth on economic development can be analyzed from two aspects: direct and indirect. To raise a newborn to a labor force, both the state and family have to pay a definite price. According to the calculation of the departments based on current prices, the total cost of raising a laborer in urban areas is 13,273 yuan, of which, 28 percent or 3,840.74 yuan comes from the state; the total cost of raising a laborer in towns and townships is 8,771.18 yuan, of which, 12 percent or 1,015.38 yuan comes from the state; and the total cost of raising a laborer in rural areas is 2,900.37 yuan, of which 1.26 percent or 367.01 yuan comes from the state. Since the promotion of family planning, 110 million fewer babies have been born and if urban areas account for 30 percent, about 200 billion yuan have already been saved for the state. Of course, part of the expense is to be incurred in the future. It is hard to estimate how much families have saved because if a family does not spend its money on children, it may use it for other consumption purposes. Therefore, as far as China is concerned, having fewer children can save the state an average of 13 billion yuan a year.

The greater economic effect of birth control is indirect. Under the condition of a given consumption level, a higher birth rate needs a corresponding supply of consumer goods. To produce these consumer goods, we need more laborers and new investment, etc., thus forming a long chain of demands for economic production as a result of population growth. Consequently, when the annual population growth rate is 1 percent, the growth rate of national income must be higher than 1 percent in order to keep the consumption level from falling. According to the estimate based on the coefficient of China's investment, the annual population growth rate is 3 percent. Reducing childbirth by an average of 6.5 million a year is equivalent to increasing national income by an average of 10 billion yuan a year. In recent years, an equivalent of 15 billion to 18 billion yuan of national income has been increased. This is an important contribution of family planning. In China, the short-term economic return of birth control is very obvious, and this work must be continued for a long period of time.

### The Long-Term Economic Analysis of China's Birth Control

Population is a system of great inertia, and current population and birth situation will affect the long-term development of population in the future. If China's population can be controlled under 1.25 billion inhabitants in the year of 2000, China's long-term population may be stabilized around 1.6 billion; if China's population reaches 1.3 billion in 2000, China's long-term population will reach 1.9 billion; if China's population is higher than these figures, China's population will not be stabilized until much later, maybe at the end of the next century; if unfortunate, closer to the year of 2110—the time the world population will be finally stabilized according to the projection of the United Nation. What effects do the delay of population stabilization and the number of population after final stabilization have on the long-term development of the economy? This is an important issue which we should study in depth in order to set a development policy.

The most important may be the issue of population capacity. China is not a nation of abundant resources. Take three necessary and irreplaceable resources—farmland, water, and forest—for instance. China is faced with a grim situation. Let us talk about farmland first. According to estimates based on remote satellite survey, national soil investigation, and many other sources of information, China now has about 1.9 billion mu of farmland, and per capita farmland is only 40 percent of the average world level. Due to various reasons such as land use, soil erosion, salinization, sand erosion, and abandoned farmland, it is estimated that farmland will be further reduced by the year of 2000. Plus newly developed farmland, only 1.7 to 1.8 billion mu of land will be left by 2000. The quality of the land may further decline. China has long had only 1.5 billion mu of

farmland even under favorable conditions. Unless scientific and technological progress makes a great leap in the quantity of land management, it is very difficult to make a higher estimate. The annual flow of China's rivers is 2,614.4 billion cubic meters, about the same as that of the United States and Indonesia, but the population of these two nations is much smaller. Timber has long been a goods in short supply. The forest coverage of many areas has decreased from previous 50-60 percent to current 30-40 percent. At present, the average national forest coverage is only 20 percent. What is worse is that due to a serious shortage of fuel and farmland, some impoverished areas with fasting growing population have destroyed forests to reclaim farmland and used grassroots and timber for fuel, thus forming a vicious circle by facilitating soil erosion and worsening environment. The comprehensive analysis of China's irreplaceable resources and of the requirements of its social and economic development shows that in order to stabilize long-term growth, China should not have more than 1.6 billion people. If it exceeds this number, many norms will deteriorate rapidly and irreversible damages will be caused to the ecological environment. This is a major policy which needs to be handled seriously and requires advanced planning for our coming generations.

#### A Brief Conclusion

In sum, although China's family planning has achieved great results, the pressure of population growth on economic development has only been eased but not eliminated. Social, economic, cultural, and educational progress has generated motive power for birth control, but many causes for maintaining a high birth rate still exist under the new condition. It is still necessary to pay attention to family planning.

In order to achieve the purpose of controlling population growth and accelerating economic development, we should adopt various comprehensive measures to integrate family planning, poverty relief, and the spark plan in rural areas and enable family planning to have a direct effect on the microeconomic interests of households. With regard to the distribution of investment, we should guarantee the needs of a certain educational level, enable women to receive middle-school education, and use legal forms to hold parents responsible for giving this level of education to their children. Since late marriage and childbearing have a great effect on having fewer children, we should continue to encourage them and adopt new measures to give some actual benefits to those couples who are committed to late marriage and childbearing and having only one child. To encourage the public to respond to this call, we can use favorable housing conditions in urban areas and technological assistance in rural areas. To do a good job in such work, we should adopt two measures concerning the method of the planning work. One is to increase the power of family planning departments so that they have a certain amount of power to distribute materials and money. The other is to improve the quality of cadres in charge of family

planning, especially the broad masses of cadres at the grassroots level. we should support their work and give them a chance of making improvements. I think that as long as comprehensive measures are adopted, the imbalance between the population and the economy will be gradually corrected for sure.

#### Projected Outlook Categorized

40060248a Beijing ZHONGGUO RENKOU BAO  
in Chinese 19 Dec 88 p 3

[Article by Lin Fude 2651 1381 1795 of Population Institute of the Chinese People's University: "Outlook on China's Population"]

[Text] China is divided into three categories according to economic development and the results of family planning. The first category is economically better developed areas with a better controlled population, accounting for 29 percent of national population; the second category is economically moderately developed areas with a generally controlled population, accounting for 59 percent of national population; and the third category is economically backward areas with a high birth rate and a concentrated minority population, accounting for 12 percent of national population. In accordance with the condition after the birth policy is stabilized, projections have been made for rural and urban areas of different categories, demanding that the birth rate of all categories reach the replacement level in 2010 and remain unchanged thereafter.

The results of projection:

#### 1. Total Population

Under various assumptions of birth rate, population will continue to grow in all categories. Calculated according to the medium estimate, China's total population will reach 1.263 billion in 2000, which is a scale of population most likely to be achieved by the end of this century. Since the low estimate is 1.24 billion and the high estimate is 1.29 billion, China's population will range between 1.24 billion and 1.29 billion by the end of this century. But the most likely figure is 1.26 billion, slightly higher than the medium estimate of Chinese population made by the United Nation—1.256 billion.

#### 2. The Population Growth Rate

Before 2000, the population growth rate will not drop significantly even under the assumption of strictest control. During the Seventh and Eighth 5-Year Plan period, China's population will witness a trend of faster growth. Judged by the medium estimate which is the most likely, the annual average population growth rate will increase from 11.7 per thousand in the Seventh 5-Year Plan period to 13.9 per thousand in the Eighth 5-Year Plan period. Judged from the development of population in the last 10 years, the occurrence of faster population growth is logical due to the inertial effect of the second

baby boom. After 1995, the growth rate will begin to fall. During the Ninth 5-Year Plan period, the average population growth rate may drop to 12.3 per thousand. Beginning from the Ninth 5-Year Plan period which is a turning point, China will enter a benign development stage where population growth rate will "continue to fall" and develop toward "zero." Until then, the long-term effect of family planning will not be fully visible.

### 3. The Trend of Long-Term Development

When will the "zero" growth rate be achieved? Projections based on different estimates show that due to the influence of original population structure, population will continue to grow slowly in the next 40 years or so. It will be impossible to check the tendency of population growth and attain the ideal state of "zero" growth until the 30's and 50's of the next century. After that, the natural growth rate of population will float around the "zero" point and the number of total population will be gradually stabilized.

When the natural growth rate of population reaches "zero," China's population development will reach the highest point. How many people will we have and when will we be able to reach that point depend on how strict our current birth control policy is. The stricter the policy, the sooner we will be able to reach the "zero" point and the lower our total population will be. Conversely, the looser the policy, the later we will be able to reach the "zero" point and the higher our total population will be. If we lose control over family planning and the total birth rate stays above the replacement level for a long period of time, it will be impossible to realize the "zero" growth rate and population will continue to grow and will never come to a stop. It is thus clear that strict birth control is not only a pressing matter of the moment but also a matter of vital and lasting importance that concerns coming generations and the rise and fall of our nation. In 2086, a 100 years from now, the low, medium, and high estimates will make China's population reach 1.439 billion, 1.51 billion, and 1.576 billion respectively. In other words, 100 years from now, China's population will be 360 to 500 million more than our current population. By then, China's population density will increase from 110 people per square km in 1986 to 150 to 164 people per square km. Even under the best assumption that all farmland occupied by construction and housing projects is compensated by reclaimed farmland, the growth of population will reduce farmland from 1.4 mu per person in 1986 to about 1 mu, a reduction of 30 percent. Besides, in the past 30 years or so, China's farmland has been reduced by an average of 8.17 million mu annually. As a result, the remaining farmland will be smaller and smaller. This is a foreseeable but insurmountable and severe situation.

### 4. Outlook on Aging Population

Between 1964 and 1982, the average increase rate of the coefficient of old people was 0.07 percent, but between 1982 and 1986, the average annual increase rate was

0.125 percent. In other words, the average annual increase rate in the 4 years after 1982 was equivalent to 1.8 times that in the previous 18 years. It shows that the declining birth rate is accelerating the aging process of population. However, since the coefficient of children (the ratio of population between age 0 and 14 to total population) was still as high as 27 percent in 1986, we may consider China's population as having reached maturity. In other words, China's population is shifting toward a slow growth.

Then, under the condition of promoting one child per couple, will the population age to such a level that it will become unbearable to the social economy?

If population is developed according to the medium estimate, the coefficient of old people will reach 7 percent in 2000. The process of development shows that the aging rate during the period between the Seventh and Ninth 5-Year plans is already lower than that of the Sixth 5-Year Plan period. Compared with other countries, the aging level of China's population in the year of 2000 is only slightly higher than the average world level of 6 percent in 1987 and much lower than the 10 and 13 percent of the coefficient of old people in Japan and Europe in the mid 1980's. Beginning in the next century, China's birth rate will be controlled at the replacement level, thus gradually easing the policy to allow each family to have two children. Due to the inertial influence of population, there will be a period in which the coefficient of old people will grow at a reduced speed. In about 2040 or half a century later, during the peak period of aging process, the extreme value of the coefficient of old people will only be 19 percent. After that, when China's population becomes static, the coefficient of old people will be stabilized at around 18 percent for a long period of time. It is estimated that 100 years from now, in 2086, the coefficient of old people in China will be around 17.4 percent. Considering the fact that the strategic goals of China's economic development will be fulfilled and the aging level of the population of developed countries, such as 15 percent in England, 15 percent in the Federal Republic of Germany, and 17 percent in Sweden, the highest aging limit of China's population is completely within the range of the national economy.

### 5. The Prospect of Reaching the Comfortable Level

The strategic goal of China's economic construction is striving, beginning in 1981, to quadruple the gross value of total industrial and agricultural output by the end of this century. At the end of 1979, another goal was set forth, demanding that we reach the comfortable level—\$800 to \$1,000 per capita GNP—by the end of this century. Then, according to the projection of our population, will we be able to reach a comfortable level?

If calculated according to the prices of 1980, the gross value of China's industrial and agricultural output will reach 2,953.5 billion yuan by the end of this century and the corresponding GNP will be about \$1,183.8 billion. Please see the results shown in Table 1.

It is thus clear that there is a great possibility of fulfilling the goal of a comfortable level—\$800 to \$1,000 per capita GNP—by the end of this century, according to the strategic arrangement of China's economic development. However, we must clearly understand that this comfortable level is opposed to the low level from which China's economy was developed. If compared to other countries, we should see Table 2:

Table 2 shows that China's per capita GNP in 2000 is equivalent to only one-third of the average world level in

1985 and less than one-tenth of the average level of developed countries in 1985. If the world economy continues to grow faster than the world population and China's economic and population development continues to lag behind the world situation, the gap between China and the world community will expand further by the end of this century. Because of this, striving to slow down and stop population growth as soon as possible will continue to be, for a fairly long historical period, a strategic task of both immediate and far-reaching significance in the course of China's socialist modernization.

Table 1

Plan	Average population in 2000 (100 million)	Projected GNP in 2000 (\$100 million)	Per Capita GNP (U.S. dollar)
Low	12.43	11,838	952
Moderate	12.56	11,838	943
High	12.71	11,838	931

Table 2

	Per-capita GNP (U.S. dollars)	Ratio when China's level is set at 100
China in 2000(the moderate plan)	943	100
The world average in 1985	2,880	305
The Asian average in 1985	970	103
The average of underdeveloped (except for China) in 1985	810	96 countries
The average of developed countries in 1985	9,930	1,053

Source of information: U.S. Population Information Office 1987 *World Population Data*

## TRANSPORTATION

### Hainan Upgrades Transportation Facilities 40060155a Beijing ZHONGGUO JIAOTONG BAO in Chinese 5 Nov 88 p 1

Article by reporter Xing Guxin 6717 4474 2450:  
"Improving the Investment Climate To Meet the Needs  
of a Large SEZ; Hainan's Upgrading of Its Transportation  
Facilities Fully Underway"]

[Text] Hainan, the nation's largest special economic zone, is upgrading its entire transportation facilities in order to improve the investment climate and meet the needs of economic construction.

It has been learned that Hainan will soon complete eight 10,000-ton capacity, seven 5,000-ton, and thirteen below 3,000-ton capacity berths. By 1990, Hainan will be able to handle as much as 11 million tons of cargo. The island's highway improvement projects are being stepped up. Survey and planning for the project to turn the more than 3,000-kilometer long eastern trunk line into an expressway have just been completed, and the 238-kilometer long railway between Sanya and Shilu is already open to traffic.

Due to historic reasons, Hainan's transportation is relatively backward, especially the water transport; the ports have limited capacity, there are few deepwater berths, and its machine loading and unloading facilities are obsolete. For this reason, building new harbors and expanding existing ones promptly to increase the ports' handling capacity have been urgent tasks. Soon after Hainan became a province, it raised the issue of speeding up the construction of its transportation system. Last December, on his inspection tour of Hainan, Minister of Communications Qian Yongchang called attention to the blueprint of Hainan's transportation facilities which shows "seven harbors, three lengths, and four breadths." "Seven harbors" refers to Haikou, Basuo, Sanya, Yangpu, Macun, Qinglan, and Wuchang. "Three lengths and four breadths" refers to the three main north-south highways and the four main east-west highways. These highways connect the seven harbors, forming Hainan's communication and transportation network.

To reach the above goals, projects to build, expand, and renovate the harbors have been underway in succession. The first phase of the construction project at Hainan's largest deepwater harbor—Yangpu Harbor is already underway. One 3,000-ton working harbor and one 10,000-ton berth are expected to go into stripped down

operation by the end of the year, and the entire project will be finished by next year. The first phase of the project to expand Basuo Harbor is drawing to a close; the project to move the breakwater further out is basically complete. Work to renovate two 3,000-ton berths in Sanya Harbor has already begun. Sites for Haikou's two new 20,000-ton berths have already been selected. Macun Harbor's 10,000-ton capacity berth exclusively for transporting coal is already in service. Qinglan Harbor's two 5,000-ton berths will be completed within a few days, and the qingji [3237 1015] and prefabricated blocks for a 5,000-ton class berth are finished; it is projected that the construction will be finished by this winter or next spring. The first phase of a barge transfer point at Wuchang Harbor began this September and will be finished and go into service at the end of next year.

Besides stepping up the construction of harbors, highways, and railways, plans are underway to construct and expand the airports. The Haikou airport expansion project basically is finished. Recently, the state has also approved the building of the new Fenghuang Airport at Sanya.

## AGRICULTURE

**Zhang Gensheng on Raising Agricultural Productivity**  
40060195a Beijing JINGJI RIBAO in Chinese  
30 Nov 88 p 2

[Article by Zhang Gensheng 1728 2704 3932, deputy director, Rural Development Research Center: "Vigorously Increase Overall Agricultural Production Capacity"]

[Text] The urgent task of rural reform and development is to increase overall agricultural production capacity; this is the inevitable requirement of China's social development. The goal of reform is to development productive strength, and the process of rural reform over the past few years has been a process of liberating agricultural productive capacity. One of the major contributions made by rural reform has been to create a huge supply and demand and provide strong support for the whole nation's economic development. In appraising agricultural production capacity, we should look first at grain production. Since 1985, China's grain production has hovered around the level of about 800 billion jin. Theoretical researchers and comrades in practical work departments have discussed this at length, and their views differ; however, one fact which they are agreed upon is that China's current grain production capacity is at about the 800 billion jin level.

From the standpoint of mid-to-long-term forecasts of China's grain demand, a production capacity of 800 billion jin is far from adequate. Our development goal is to reach 800 jin of grain per capita by the year 2000. It is generally believed that China's population in the year 2000 will have reached 1.2-1.3 billion, and this means that in order to achieve 800 jin per capita, the total grain production volume must exceed 1 trillion jin. At the current rate of progressive decrease in cultivated land,

the area of China's grain fields by the year 2000 will be about 1.2 billion mu. Producing 1 trillion jin of grain requires a yield of over 830 jin per mu; if the area of grain fields is reduced to 1.1 billion mu, the yield per mu must reach 900 jin. This accounting gives us two important signals: one is that the approach taken by China's agriculture henceforth will definitely be one of high input and high output; we must input more materials and technological factors in exchange for greater returns; the second signal is that it will by no means be easy for the yield of such a large cultivated area to reach over 800 jin per mu; society as a whole will have to pay an enormous price to achieve such a high output, and must be aware of this price.

Actually, even if a grain production capacity of over 1 trillion jin is achieved by the year 2000, it still will not meet the demands of society. There are already seven provinces and three municipalities whose per capita consumption of grain has reached 800 jin, and as the standard of living improves in the future, the level of demand for grain will inevitably show an upward trend. Naturally, in resolving China's grain issue, many methods must be adopted, such as developing new resources and correctly guiding consumption, but the primary necessity is to increase production capacity.

Increasing overall agricultural production capacity must be started as soon as possible. Modern agricultural production capacity is made up of the interaction of many factors; specifically, the modern overall agricultural production capacity system should include the following aspects: 1) The enthusiasm and operational quality of peasant households; 2) construction of irrigation works and other agricultural infrastructure; 3) development of agricultural industry, such as chemical fertilizer and plastic film; 4) research into, and popularization of, agricultural science and technology; 5) modernized distribution facilities and agricultural product processing; 6) government regulation and control and protection of agriculture. At present, China's modern overall agricultural production capability system already has a considerable foundation, but efficiency is not high, and self-development capacity is not great. The direction of reform henceforth is toward coordination of the whole system's operation through gradual development of the market mechanism, based on the principle of state macrocontrol, in order to constantly increase modern overall agricultural production capacity.

The time period for increasing agricultural production capacity is fairly long. Taking the cultivation of high-yield varieties of grain as an example, it generally takes 7 or 8 years for a good seed to go from experimentation to dispersal over a large area. Constructing a large-to-medium-sized irrigation project or building a large chemical fertilizer plant requires 5-6 or 7-8 years, or even longer. Some comrades point out that due to the current insufficiency of agricultural investment, an investment inefficiency gap is liable to form in the mid-1990's, and this is reasonable. Therefore, within the next 3 to 5 years, our policy objectives for basic agricultural products with major social benefits, such as grain,

should be both to try to maintain the present production level stability and to adopt various measures to strengthen such areas as the agricultural infrastructure, agricultural industry, the agricultural product distribution and processing systems, agricultural scientific and technical research and dissemination, bringing in materials and technology early so that agricultural production can advance to a new level in the mid-to-long-term.

Therefore, the various levels of government should do something worthwhile in these areas; the methods of dealing with agricultural production which have been adopted in recent years by various levels of party and government organizations in Jilin Province are worth seriously reviewing and referring to. Jilin Province's grain output in 1978 was 18.29 billion jin, in 1984 it reached 32.69 billion jin, and in 1987 it amounted to 33.52 billion jin. In 1988, it has continued to rise, and is expected to reach 34 billion jin. Not only did Jilin Province's grain output reach the highest level in history after Jilin implemented a responsibility system for calculating payments to households based on output, it has also been able to continue to increase in the most recent 2 years. There are two points in this regard which are very crucial: one is that party and government organizations on various levels have found a point where the interests of the peasants intersect with those of the nation and society, so that the peasants' zeal for cultivating grain never flags. The other is that, through various efforts by party and governmental organizations at various levels, a production system has been formed which includes within it peasant households with high effective management quality and a tentatively established agriculture service system.

The basic driving force in improving overall agricultural production capacity is the vast peasantry, but the government must create very favorable conditions. Stage-by-stage changes have already appeared in the development of rural economy. From the standpoint of technology, the traditional method of relying on increase of seeded area and labor input to increase output is in decline, and agriculture unavoidably must follow the route of intensive farming with high input and high output; and from the standpoint of the movement mechanism, the market mechanism plays an increasingly important regulatory role, and it is easy for the trend toward a market economy to lead to the crowding out by non-agricultural industries, through a series of problems with regard to funds and the like, of the production of such basic agricultural products as grain, cotton, and oil crops, which have great social benefits but whose direct economic benefits are not necessarily obvious. Without the support and protection of the government, agriculture is liable to be placed in an unfavorable environment.

Therefore, increasing overall agricultural production capacity not only requires that the government ensure continued investment in agriculture, it also must formulate effective policies and use financial, credit, and other measures to improve the ability of agriculture to attract

social capital, particularly inducing various social groups to increase input into agriculture. Additionally, it is necessary to improve the conditions for agricultural product trade, allowing the constant appropriate adjustment of the relative prices of agricultural products, and making agricultural managers aware of the profitability of supplementing input. Only in this way can we meet the demand for high input and high output already raised by agricultural development itself.

### **Increasing Investment To Improve Agricultural Development Advocated**

40060199 Nanjing XINHUA RIBAO in Chinese  
3 Dec 88 p 2

[Article by Jiang Qiwen 1203 0366 3306: "Increase Agricultural Investment To Accelerate the Development of Agriculture; Tighten Control and Increase Returns From the Use of Funds"]

[Text] Agriculture is the basis of the national economy. Agricultural production plays an enormous role in spurring or restricting the development of the national economy as a whole. It is clear to everyone that "there is instability without agriculture and confusion without grain." However, since 1985, some comrades have been overly optimistic about the state of agricultural production, particularly production of grain and cotton, and insufficiently clear-headed, to such an extent that leadership over agriculture has become somewhat slack and investment in agriculture has been somewhat reduced, causing grain and cotton production to stagnate in recent years. In imposing control and rectifying policy, we should realize that industry is overheated and agriculture is underheated, or even a little too cold. Therefore, in reducing gross social demand, investment in agriculture not only cannot be reduced, it must be increased. This is necessary for implementing economic adjustment. At the same time, many years of practical experience have taught us that in order to accelerate the development of agricultural production and achieve bumper harvests, it is essential to increase agricultural investment.

### **Fluctuation of Grain and Cotton Production Related to Reduction of Agricultural Investment**

In the past 10 years, pushed forward by the open reform policy, the rural economy of Jiangsu Province, like that of the nation as a whole, has achieved remarkable growth, and a major turning point has appeared in agricultural production. This has not only supported the development of the national economy as a whole, it has also created conditions favorable to overall economic system reform, and thus it is highly significant. However, in recent years, fluctuations have emerged in food production, cotton output has dropped, and hog production has fluctuated. The emergence of this situation is due to many factors, but it is very closely related to decreased investment in agriculture.



Since the founding of the PRC, Jiangsu has attached great importance to agricultural construction and has invested a large amount of capital into it. As of the end of 1986, Jiangsu's total agricultural investment amounted to 31.72 billion yuan, of which 11.112 billion yuan was public financial funds, accounting for 35 percent; 10.88 billion yuan was collective funds, accounting for 35 percent; and 9.779 billion yuan was individual labor accumulation and capital investment, accounting for 30.8 percent. Huge investments have caused huge changes in the conditions of Jiangsu's agricultural production; agricultural production has developed faster and agriculture has formed a more solid foundation. The period of the Fifth 5-Year Plan was the peak of Jiangsu's agricultural capital investment, and as a result, the beginning of the 1980's was one of the periods in which Jiangsu's agricultural production developed fastest. During the period of the Sixth 5-Year Plan, a landslide occurred in agricultural investment, and state agricultural support funds, collective agricultural support funds, and the labor accumulation of the peasants themselves all decreased greatly from the period of the Fifth 5-Year Plan, directly contributing to the stagnation of agricultural production in recent years.

**Decrease in Financial Investment:** The amount of Jiangsu's finances used for agricultural capital construction investments and various project expenses during the period of the Sixth 5-Year Plan totaled 2.227 billion yuan, 417 million yuan less than the Fifth 5-Year Plan, or a 15.7 percent decrease. During the period of the Sixth 5-Year Plan, public financial agricultural support funds accounted for 14.51 percent of total fiscal expenditures, a drop of almost 8 percent from the period of the Fifth 5-Year Plan.

**Decrease in Collective Investment:** Jiangsu's total amount of collective capital (including township enterprise agricultural supplementation funds and accumulation funds) used for agricultural investment during the Sixth 5-Year Plan was 2.53 billion yuan, a 793 million yuan decrease from the period of the Fifth 5-Year Plan, or a drop of 23.86 percent. The decrease consisted primarily of a nearly 600 million yuan decrease in accumulation funds. Jiangsu's total rural income distribution in 1985 had increased 2.61 times over that of 1980, and net per capita income had increased 3.89 times, but the accumulation funds collected had decreased by 104 million yuan, a drop of 24.6 percent.

**Significant Decrease in Labor Accumulation:** 3.7 billion cubic meters of earth and stone were moved in irrigation facility construction and public excavation in Jiangsu during the period of the Sixth 5-Year Plan, 6.3 billion cubic meters less than the period of the Fifth 5-Year Plan. This converts to a 3 billion work-day decrease in labor, which, calculated at the rate of 1 yuan per work-day, converts to 3 billion RMB.

As to the principal causes of the decrease in agricultural investment during the period of the Sixth 5-Year Plan, the first is that our appraisal of agricultural conditions

was overly optimistic, and the basic position of agriculture was weakened and shaken, which, together with fiscal difficulties, led to a sharp decrease in investment in agriculture, especially investment in agricultural capital construction. The second principal cause is that after the rural implementation of a contract responsibility system which links benefits to output, the production teams which had originally been regarded as the main bodies of agricultural accumulation and investment ceased to exist, while no new agricultural accumulation and investment mechanism was immediately established, causing disjointedness to appear. The third principal cause is that returns from agriculture are relatively low, and based on the spontaneous effect of the law of value, capital investment attaches importance to short-term returns rather than long-term returns, and to concrete benefits rather than social benefits, while we have not yet successfully implemented macroscopic control and regulation.

#### **Multiple-Level and Multiple-Channel Fund-Raising for Agricultural Use**

Historical experience has taught us that developing agricultural production depends, first, on policy; second, on science; and third, on investment. Under the present tight financial conditions, acceleration of agricultural production requires increasing investment in agriculture by all possible means, but increasing it too much would be unrealistic. We should raise funds at multiple levels and through multiple channels, and use them to develop agricultural production.

First, public financial authorities should increase investment in agriculture. Even though public financial authorities at every level are in difficulties, they still must increase investment in agriculture as much as possible by drawing back the capital construction battle line, reducing group purchasing power, and cutting back on all unnecessary expenditures. Jiangsu's provincial financial authorities have already determined that 1989 is an opportune time to increase investment in capital construction on irrigation and water conservancy facilities. Through efforts made over 2 years, small-scale irrigation and water conservancy funds have returned to the 1980 level of investment. The share of the total expenditure in the fiscal budget which is used for agriculture should be increased. In the future, the proportion of growth of the funds used for agriculture by provincial financial authorities should not be less than the proportion of growth of normal financial income. The various municipality and county financial authorities, too, must increase investment in agriculture as much as possible.

Secondly, based on the principle of "obtaining from agriculture and using in agriculture," raise funds in all possible ways and gradually establish an agricultural development fund. The following are tentatively considered as sources of capital: First, as with funds for energy resource and communications facility construction, collect agricultural development funds based on 1 percent



of the total extra-budgetary funds. Second, tighten control and collect a cultivated land use tax. Starting in 1989, the proportion of distribution of cultivated land use tax will change from a 50-50 split between the central authorities and the localities to 30 percent for the central authorities and 70 percent for the localities. Most of the localities' newly increased proportion of distribution will be left to the counties by the province. This will greatly arouse the enthusiasm of the local governments. Third, institute overall collection of an agriculture and forestry special product tax, and strengthen collection management. Although this tax has already been collected for two years, some municipalities and counties have not yet collected it, or the items collected are incomplete, or hardly anything has been collected due to slack management. Earnings from this will be left entirely to the localities to use in developing agriculture. Beginning next year, each of the province's municipalities and counties, as stipulated, will implement overall collection of an agriculture and forestry special product tax, as well as strengthen collection management and achieve adequate, uniform collection. Fourth, collect a technological improvement fee from links in the foodstuffs operation chain and use it to spread agricultural technology. This year, the provincial government has stipulated that for the grain at negotiated prices which is managed by each unit, a 0.3 cent technological improvement fee will be imposed on every 500 grams of unprocessed food grains. The collecting departments must collect this conscientiously. Fifth, with regard to the newly increased portion of the tax revenue of township enterprises and individual industries and businesses, we must differentiate between the various circumstances involved, and use some, most, or all of the newly increased portion for developing agriculture. That is to say, in the case of counties in financial difficulty, as much of the newly increased portion as possible should be squeezed out and used for agriculture; in counties with somewhat better financial conditions, most of the newly increased portion should be used for agriculture; and in the case of counties which are better off financially, all of the newly increased portion should be used for agriculture. If the above five channels are properly used, Jiangsu can collect nearly 200 million yuan in agricultural development funds each year. This will play a major role in developing agricultural production.

Thirdly, increase investment in agriculture through other channels. In addition to financial investment and the establishment of an agricultural development fund, we should increase investment in agriculture through four channels. First, we should restore the collection proportion of collective accumulation funds. If accumulation funds are collected at 3 percent of the rural income distribution amount, collective accumulation can be increased by over 300 million yuan annually. Second, conscientiously establish a labor accumulation system. Jiangsu's rural labor force devotes 15-20 workdays annually to capital construction on farmland, a very large

investment of labor. Third, raise funds by "using industry to build up agriculture." Based on reports by township enterprises, Jiangsu should collect over 300 million yuan in funds by "using industry to supplement and build up agriculture," but only something over 100 million yuan has actually been used; the potential is very great, and we should tighten control and collect what should be collected. Fourth, raise the standards of irrigation and water conservancy project fee collection. Jiangsu's current fee collection standards are too low, and it is difficult to ensure normal management and maintenance of irrigation and water conservancy projects. We should adjust fee collection standards appropriately, in accordance with the stipulations of the state council.

At the same time that we open more channels for agricultural development funds, we must conscientiously tighten control of funds and increase returns from the use of funds.

Agricultural development funds should be used primarily to improve conditions for agricultural production and develop agricultural productive force. First, the funds should be used for capital construction on farmland, building water conservancy projects, improving the soil and increasing fertility, and increasing the capacity for resisting natural disasters, as well as renovating low-yield farmland, opening up undeveloped land, and expanding the area of cultivated fields. Next, the funds should be used to raise the level of agricultural mechanization, gradually achieving mechanization of plowing, sowing, irrigation and drainage, care of crops, harvesting, transportation, and storage, raising agricultural labor productivity and increasing yield per unit area. Third, use funds to develop agricultural science, popularize advanced technology, use advanced science and technology to arm agriculture, and raise the scientific and technical level of the vast peasantry. This is the basic route of developing agriculture. Financial departments should give priority to supplying the funds needed for the above three areas, and should not grudge spending a little money. Extravagance and waste should be resolutely stopped.

The State Council has stipulated that beginning next year, agricultural development funds which have already been established or are currently being established will be brought into the budget by financial authorities at each level, listing revenues and expenditures and earmarking funds for their specific purposes only. It is recommended that in order to adequately collect, manage, and utilize agricultural development funds, each level of government establish an agricultural development fund leading group to implement unified management of funds within and outside the budget which are used for agricultural development. Each financial department should bring its function into play in performing the task of following and supervising the collection, management, and utilization of funds for agricultural development, and make a contribution to achieving a bumper harvest.

**Problems Facing Animal Husbandry**  
*40060208c Beijing JINGJI CANKAO in Chinese*  
8 Dec 88 p 4

[Article by Li Zhuqi 2621 0031 0366 and Yin Chengji 1438 2052 1015, General Affairs Department, General Office, State Council: "Problems Facing Animal Husbandry and Countermeasures Which Should Be Adopted"]

[Text] From the second half of this year, in response to reduced grain output and a trend toward supply shortages, grain prices in every locality have tended to rise. Information recently sent back through various channels indicates that the increase in grain prices has led to an overly rapid rise in feed prices which directly threatens the development of hog and chicken breeding and confronts the breeding industry with a difficult problem. We present below some views about this situation, which has recently come to our attention, for the reference of concerned parties in decisionmaking.

**Meat and Egg Shortages May Reappear**

Since last winter, the State Council has adopted a series of measures for resolving the breeding industry's feed, capital, and purchasing power problems, and the shortages of meat and eggs have just taken a turn for the better. However, a number of trends which merit attention have also appeared.

According to information sent back by certain provinces and municipalities, a situation has emerged in China in which the price of young hogs has dropped and a large number of sows have been slaughtered, butcher pigs taken out of their pens ahead of time, and chickens and ducks sold or slaughtered. Some people, seeing that a large number of pork pigs are being taken out of their pens, mistakenly believe that pork market conditions are very good. Actually, this false image of supply and demand reflects precisely the serious situation in which growers, due to large investment and small output, prefer to sell more and raise less, or raise nothing at all.

It is especially worth noting that large-scale breeding farms or specialized breeding households which provide a large volume of commercial livestock and poultry products are the first to suffer a blow. This shaking of the backbone means that the market supply will be seriously affected.

Judging from conditions in the various localities, many breeding regions in succession have suffered blows, and if the situation continues in this way, a new round of meat and egg shortages may appear this winter and next spring. This may also set off a chain reaction including price increases of other non-staple food products, increased cost-of-living expenses of city residents, increased government financial subsidies, and increased cost of industrial products.

**Causes of the Breeding Industry's Difficult Position**

According to an investigation by the China Feed Industry Association, the causes of the feed supply shortage are as follows. First, there is no planned supply channel for the grain used by the feed industry. The state currently implements strict control of grain distribution, and there is no way to achieve market regulation. This is equivalent to cutting off the alternate route of raw materials for feed processing plants. Second, there is a shortage of communications and transportation, making it difficult to regulate surpluses and deficiencies among regions. Third, the price of raw materials for feed has soared, and it is hard for enterprises to absorb this. Therefore, the production of the feed industry and breeding industry has shrunk, and this may naturally cause market supply shortages in the future.

**Basic Measures Which Must Be Adopted**

At present, concerned departments and local governments have already adopted, or are currently in the process of adopting, a number of temporary measures, such as slightly increasing purchase prices, substituting grain and fertilizer for purchasing, and encouraging bills for commodities in great demand. We believe that it is also necessary to adopt a number of basic measures, including the following:

1. Concerned ministries and commissions, together with each level of local government, should coordinate with one another and adopt appropriate protective measures. At present, the focus should be placed on ensuring such things as the supply, allocation, and transportation of feed, and supervision of prices should be strengthened. At the same time, we should apply economic levers such as price, tax, and credit to policy to provide guidance, and establish an effective regulation and control mechanism, in order to promote development of production, particularly development of plant-eating animals, and proceed to change people's meat-eating structure.

2. We must open up new sources of feed. First, we must adjust in a planned way the crop-growing structure, increase the area of high-yield grain varieties which can be used to make feed and the area of feed crops, adjust the present two-dimensional structure of grains and cash crops to a three-dimensional structure of grains, feed crops, and cash crops, and make feed production an important element of farming. Second, faced with grain supply shortages, extensively develop and utilize new feed sources.

3. We must vigorously propagate high-quality seeds and scientific raising methods. We must convert limited feed into more livestock and poultry products. One important means is to change traditional raising patterns, cultivate high-quality seeds, and adopt scientific raising methods. This task should be made an important mission of the scientific research and technology extension systems at the provincial, county, and township levels. Each year,

the state should transmit to lower levels qualitative and quantitative targets and demand progressive implementation and timely completion.

4. We must establish a scientific raising management system and achieve integration in three areas. One is integration of crop-growing and animal husbandry. Through the establishment of feed bases, the breeding industry will be provided with a stable source of feed, while the development of the breeding industry will, in turn, support the construction of bases and allow crop-growing and animal husbandry to form a beneficial circular system of mutual dependence. The second is integration of breeding and processing. Feed processing and livestock and poultry product processing should be mutually coordinated with the development of the breeding industry, allowing the breeding industry to greatly increase its output through the coordination and high-efficiency feed provided by the development of the feed-processing industry, and allowing livestock and poultry products to further multiply through processing, and achieving a beneficial cycle of breeding and processing. The third is integration of production and marketing, establishing stable marketing channels and reducing the effect of market fluctuation on production. We have found in surveys of various localities that in all localities in which the relationships between crop-growing, animal husbandry, and processing on the one hand and between production, supply, and marketing on the other hand are well-managed, the breeding industry is generally relatively stable.

In light of the possibility that a shortage of meat and eggs may begin to appear before the Spring Festival, the state, in order to stabilize the non-staple foodstuffs market, must adopt temporary measures, such as raising purchasing prices and controlling non-planned market buying and selling, in order to control the supply of goods to the maximum degree. It is undoubtedly necessary to do this, but whether in terms of the financial situation or in terms of basic national policy, constant raising of purchasing prices after every fluctuation or meddling in the method of distribution are by no means long-term strategies. The above measures focus on strengthening macroscopic regulation and control, opening up new sources of feed, and applying scientific methods to increase the proportion of meat to feed and increase output, in order to resolve the contradiction caused by the shortage of grain and absorb the effects of price increases as much as possible. Viewed from a long-range perspective, this may be advantageous to the steady development of China's breeding industry.

#### **Farm Supplies Improve**

40060303d Beijing JINGJI RIBAO in Chinese  
31 Jan 89 p 1

[Summary] According to the Ministry of Commerce, this year supply and marketing cooperatives will provide 53 million tons of chemical fertilizer and 300,000 tons of

plastic film for spring planting, increases of 7 percent and 20 percent respectively over 1988; 100,000 tons of pesticide will be provided also.

#### **Grain Problems in Northwest**

40060195b Beijing JINGJI CANKAO in Chinese  
1, 15 Dec 88

[Article by Wang Shihuan 3769 0013 3562 and Sun Ninghai 1327 1337 3189: "Loess Region Puzzled by Grain Problem; an Investigation of the Grain Problem of Five Northwestern Provinces and Autonomous Regions"]

[Text] [1 Dec 88 p 1]

In the past 10 years, the grain production of the five provinces and autonomous regions of Shaanxi, Gansu, Ningxia, Qinghai, and Xinjiang has increased greatly, and per capita grain holdings have also increased. However, grain is still in short supply in the northwestern region, and resolving the grain problem within a short time is by no means an easy task. The sudden emergence of a disparity between supply and demand of grain has perplexed the Great Northwest.

The reporters have recently learned from concerned departments that in 1988 the gross output of grain of the five northwestern provinces and autonomous regions may reach 23.8 billion kilograms, and that the gross output of grain of four of these provinces and regions, with the exception of Shaanxi, has increased from last year. The gross grain output of Xinjiang may reach 5.8 billion kilograms; Gansu, 5.7 billion kilograms; Ningxia, 1.5 billion kilograms; Qinghai, 1 billion kilograms; and Shaanxi, nearly 9.85 billion kilograms. Per capita grain holdings are 420 kilograms, 260 kilograms, 345 kilograms, 235 kilograms, and 315 kilograms respectively.

However, the northwestern region still has a grain shortage in excess of 1 billion kilograms each year. Of this, Gansu's grain shortage accounts for 600 million kilograms, Qinghai accounts for 300 million kilograms, and Shaanxi, 250 million kilograms. Ningxia can achieve basic self-sufficiency in ordinary years, but if it encounters a year of famine, it still has to bring in grain from outside the province. Only Xinjiang is more than self-sufficient in grain, but the grain it exports every year is still very limited, due to the railroad's limited transport capacity. For the Great Northwest, which has a 1 billion-kilogram shortage of grain every year, having to support the more than 74,500,000 people of the five provinces and autonomous regions is certainly a heavy burden. Moreover, there are still over 10 million people in the five northwestern provinces and autonomous regions who have yet to solve the problem of getting enough to eat and wear; the peasants of Gansu alone eat over 300 million kilograms of resold grain every year.

At the same time that grain is in short supply, there is a lack of coordination between population growth and land area in the five northwestern provinces and autonomous regions. According to the statistics of concerned quarters, in the past 10 years, the population of the northwestern provinces and autonomous regions has increased by nearly 10 million, while land area has decreased by nearly 10 million mu. Each additional person will require grain from the land of the northwest, and all will put an additional burden on the northwest.

With the constant increase in price of capital goods for agriculture, the disparity between the comparative advantage of grain and that of other industries has grown greater and greater, and the past difficulty of selling grain has changed to a difficulty of harvesting grain.

When the reporters recently visited the five northwestern provinces and autonomous regions, they discovered that the comrades in the local agricultural and grain departments all had feelings of pain or embarrassment which were hard for them to mention. In the Ili region, which is known as Xinjiang's granary, in former years, the peasants and agricultural workers of the military units used to stand in line to deliver grain to the state, but this year high-level authorities are pressing them to deliver the grain. As of mid-September, the task of selling summer grain crops to the state in Xinjiang was only 65 percent completed. There are over 1,200 peasant households in Ningxia's Yinchuan district which have not delivered grain, and the government has had no choice but to have the public security organs go into action simultaneously and adopt the method of citation to resolve the problem. The two districts of Jiuquan and Zhangye in Gansu are Gansu's main districts for the sale of commodity grain to the state, but as of the end of September, the task of selling summer grain crops to the state was only 27 percent completed, while in Gansu as a whole this task had been only 37 percent completed. In Shaanxi, too, the purchase of summer grain crops leaves something to be desired, and last year several counties failed to complete their delivery of grain to the state.

One reason for the inability to complete delivery of grain to the state is the assault by market prices. The market price per kilogram of wheat in the northwestern provinces and autonomous regions is generally 0.2 yuan higher than the state purchase price, and peasants, based solely on the law of value, sell grain to illegal buyers from 19 provinces and autonomous regions throughout China. Such provinces as Xinjiang and Ningxia have no choice but to adopt such measures as grain "exit permits" to impose restriction.

When the grain purchase situation was being discussed, Wang Zuoshan [3769 0155 1472], director of the Gansu Provincial Grain Bureau, told the reporter with a sigh, "The peasants have a lot of complaints about the low grain prices. The grain departments cannot do business with the peasants. We have purchased 1.49 billion jin of grain, and 36 million yuan in financial subsidies have

been issued in the province, but each jin of wheat is still 0.1 yuan below the market price. The provincial government convened an emergency teleconference and also sent cables to various localities, but there is still no clear increase in the volume of grain put into storage."

The financial subsidies for the five northwestern provinces and autonomous regions' purchase, transport, and sale of grain every year are a considerable burden. In 1987, Shaanxi's grain subsidies accounted for nearly one-third of the province's financial revenue, and the grain subsidies of the remaining three provinces and regions accounted for one-fourth of their financial revenue. Moreover, there are over 1.1 billion kilograms of grain stored in the granaries for city residents in the five northwestern provinces and autonomous regions, and this has increased the pressure on grain departments; if the residents all came to purchase the stored grain, it would inevitably cause a crisis.

In recent years, agricultural capital goods have constantly risen in price, while grain prices have dropped, and some localities have been unable to carry out their "three links" policy, causing the peasants to become disheartened. At the same time, due to the existence of such factors as the decrease in agricultural investment, inadequate soil fertility, disrepair of irrigation facilities, imperfect coordination of agricultural machinery and tools, and backwardness of agricultural scientific and technical service, agricultural debts are too great, leading to the appearance in some localities of the phenomenon of "the more grain one grows, the poorer one becomes." Peasants are no longer willing to cultivate land, and peasants who do cultivate land are not willing to engage in intensive cultivation. Alakule Township in Xinjiang's Bachu County has over 2,000 mu of uncultivated land, accounting for 5.5 percent of the township's land. Some localities in Shaanxi with relatively developed economies and many production outlets practice extensive farming, even to the extent of giving up cultivation and abandoning the land. According to statistics, Shaanxi has 1 million mu of derelict and abandoned land. At this rate, grain production of the five northwestern provinces and autonomous regions will be unable to extricate itself from its predicament.

[15 Dec p 1]

[Article by Wang Shihuan 3769 0013 3562 and Sun Ninghai 1327 1337 3189: "Loess Region Full of Promise; Part Two of an Examination of Grain Problems in the Five Northwestern Provinces and Autonomous Regions"]

[Text] The Great Northwest has many factors favorable to the development of grain production. First, it has a considerable amount of land awaiting cultivation, and there is great potential for exploiting groundwater or surface water in the vicinity of this land; second, its abundant sunshine is advantageous to crop production; and third, the current level of cultivation is not high,

with medium- and low-yield farmland making up a relatively large proportion of the total amount of land under cultivation, and it is possible to greatly increase yield per unit area through the extension of agricultural science and technology.

#### Abundant Water and Soil

The four provinces and autonomous regions of Xinjiang, Qinghai, Gansu, and Ningxia currently have nearly 160 million mu of arable land awaiting cultivation. Of this, Xinjiang accounts for about 140 million mu, Qinghai over 7 million mu, Gansu 10 million mu, and Ningxia 2 million mu. As long as water resources are properly exploited, new territories opened up, and area of land under cultivation expanded, it is inevitable that a new breakthrough will be made in the gross grain output of the Great Northwest.

A comrade responsible for Xinjiang's agricultural research told the reporters, "Xinjiang has great potential for developing grain production. As long as capital and water conservancy keep apace, the area of reclaimed wasteland will reach 8 million mu by 1995." This wasteland is primarily scattered throughout Altay Prefecture and the Ili and Aksu River Valleys.

In the Hexi Corridor, which is known as Gansu's granary, a large stretch of wasteland awaits cultivation. Zhangye Prefecture alone has over 4.1 million mu of wasteland, of which over 1.7 million mu is arable. Gansu Province has over 10 million mu of arable wasteland.

Specialists at the Chinese Academy of Science's Northwest Plateau Biology Institute believe that the key to whether wasteland reclamation is profitable lies in whether it is well managed. The peasants of Xinjiang's Tacheng-Emin Counties area independently dug a well and reclaimed 200-300 mu of wasteland, and as a result were on the road to prosperity within two years.

At the same time, the rate of exploitation of the ground-water and surface water of the northwestern provinces and autonomous regions is relatively low, and the latent potential of water resources is very great; Xinjiang, Gansu, Qinghai, Ningxia, and Shaanxi have all constructed, or are in the process of constructing, a number of water conservancy and irrigation projects, and these will provide conditions favorable for opening up wasteland. For example, after construction is completed on Phase Two of Gansu Province's Jingtai Electric Power Irrigation Project, which is currently under construction, it will service 500,000 mu of farmland. The project for diverting the Datong River into the Qinwang River, which will be completed in 1993, will be able to convert 800,000 mu of wasteland and non-irrigated farmland into paddy fields. Shaanxi has decided to launch the second phase of the Donglei Yellow River Pumping Project during the period of the Seventh Five-Year Plan;

after the project is fully completed, it will be able to irrigate 1.26 million mu of land. Herein lies Shaanxi's hope for increased grain output.

#### A Natural Abundance of Sunshine

The five northwestern provinces and autonomous regions have an abundance of sunshine, which provides conditions favorable for increasing crop output. Most of the regions of the Northwest have long daylight hours, a wide disparity between daytime and nighttime temperatures, and sufficient solar energy, which is most suitable for the growth of such crops as wheat and corn. Chen Jixian [7115 7162 6343], a researcher at the Chinese Academy of Science's Northwest Plateau Biology Institute, told the reporters: "By relying on the abundant sunshine and water resources, the Northwest's grain output is likely to increase. Historically, the highest wheat yields per mu have always been in the Northwest; the Tarim Basin has twice set world records with yields of 1,000 kilograms of wheat per mu, while Gansu's Minle and Shanzhou have also achieved wheat yields of 750 kilograms and 800 kilograms per mu, respectively."

Gansu's Zhangye Prefecture is a well-known grain-producing region; its average elevation is 1,200-1,800 meters above sea level, its annual sunshine time amounts to 2900 hours, its annual cumulative temperature is 1,300-1,600 degrees Celsius, and its sunlight and water resources are very abundant. This area is currently exploiting these advantages; in recent years, interplanting techniques have been extended over a wide area, making full use of the sunshine and allowing the yield per mu of interplanted grain to uniformly surpass that of monocultural grain by over 200 kilograms.

Ningxia's plains irrigation region, too, has exploited the local advantages of sunlight and water resources through extension of strip fields. This year the area of strip fields reached 950,000 mu, 143,000 mu more than in 1987, and average yield per mu can be increased by at least 200 kilograms.

#### The Power of Agricultural Science and Technology

At present, the degree of application of agricultural science and technology in the northwestern provinces and autonomous regions is not high, and in some provinces and regions one-fourth of the towns and townships have no agricultural science and technology extension departments. At the same time, the Great Northwest still has over 90 million mu of medium- and low-yield fields. The average yield of low-yield fields is under 150 kilograms, while that of medium-yield fields is between 150 and 200 kilograms. By vigorously spreading and propagating agricultural science and technology, the gross grain output of the five northwestern provinces and autonomous regions can advance to the next stage.

Shaanxi has over 39 million mu of medium- and low-yield fields, accounting for 63 percent of Shaanxi's cultivated land area. Through propagating dry farming techniques, water storage and preservation of soil moisture, cultivation of soil fertility, directed manuring, and timely early sowing, the yield per mu of medium-yield fields can exceed 250 kilograms, while that of low-yield fields can exceed 150 kilograms, and this may increase output by 1.5 billion kilograms.

In the next three years, Gansu will renovate over 4 million mu of medium- and low-yield fields, increasing soil fertility, increasing yield per mu by 40-50 kilograms, and increasing Gansu's output by 1.6-2 billion kilograms. In the past 2 or 3 years, the five northwestern provinces and autonomous regions have extended the use of dry farming techniques, increasing the average yield per mu of wheat by 50-100 kilograms; while plastic film ground-covering techniques have generally increased corn yields by 150 kilograms, and even a few "one-ton grain fields" have emerged. The power of agricultural technology is being demonstrated in grain production in the Northwest.

#### **Anhui Grain Area**

40060303b Hefei ANHUI RIBAO in Chinese  
23 Jan 89 p 1

[Summary] This year Anhui Province has sown 33 million mu to spring grain, and 12,340,000 mu to rape.

#### **Fujian Agricultural Investment**

40060312a Beijing RENMIN RIBAO in Chinese  
4 Feb 89 p 1

[Summary] This year Fujian Province has allocated 28 million yuan in extrabudgetary funds for agriculture and 42 million yuan in budgetary investment for farmland capital construction, increases of 10 percent and 13.5 percent respectively over 1988. Fujian has allocated 10 million yuan for agricultural scientific research, an 80 percent increase over 1988; and \$2 million in foreign exchange to import advanced farm technology.

#### **Hebei, National Cotton Procurement**

40060303e Beijing JINGJI RIBAO in Chinese  
31 Jan 89 p 1

[Summary] From 24 December to 20 January, Hebei Province procured 27,000 tons of ginned cotton, a 69 percent increase over the same period in 1988. As of 20 January, national cotton procurement was 3,370,000 tons, an 8 percent decrease from the same period in 1988.

#### **Heilongjiang Reaps 'Bumper' Tobacco Harvest**

SK1602054189 Harbin Heilongjiang Provincial Service  
in Mandarin 2200 GMT 15 Feb 89

[Excerpts] Our province reaped a bumper harvest of tobacco leaves last year. The output and quality were greater and better than in previous years. So far, the purchasing volume

of flue-cured tobacco has reached 1.89 million dan, an increase of 590,000 dan, or 45.2 percent, over last year. Of this, 30.9 percent was good quality tobacco.

Over the past few years, our province has gradually expanded its tobacco growing acreage, and has become one of the five major flue-cured tobacco production bases in China. Last year, the province's tobacco growing areas reached 1.03 million mu, an increase of 300,000 mu over the previous year. Thirty-five counties in the province were engaged in tobacco production. [passage omitted]

#### **Heilongjiang Rural Savings**

40060303a Harbin HEILONGJIANG RIBAO  
in Chinese 17 Jan 89 p 1

[Summary] At the end of December, rural savings in agricultural banks and credit cooperatives in Heilongjiang Province totaled 5 billion yuan, an increase of 1.1 billion yuan over 1987.

#### **Hubei Commodity Grain Bases**

40060208b Beijing NONGMIN RIBAO in Chinese  
7 Dec 88 p 1

[Article by Chen Ji 7115 7535: "Hubei Commodity Grain Bases Bring Their Beneficial Results Into Play"]

[Text] Three years after the period of the Sixth 5-Year Plan, the state and localities jointly invested in the construction of commodity grain bases in six counties and municipalities of Hubei Province (Jingmen, Jiangling, Jianli, Honghu, Xiantao, and Jingshan), and achieved notable results.

Total investment in the construction of these six base counties and municipalities amounted to 59.24 million yuan, of which state investments accounted for 30 million yuan, provincial investments 12 million yuan, and investments raised by the counties and municipalities themselves 17.24 million yuan. From 1983 to the end of 1985, the 6 counties and municipalities used these investments to construct six agricultural technology extension centers; expand and improve six county and municipality seed corporations and 12 county and municipality stock seed and high-quality seed farms; construct 83 town and township agrotechnical seed stations, 440,000 mu of high-quality seed-breeding bases, and 247 new electric power irrigation and drainage pumping stations; repair 63 reservoirs; and maintain 73 irrigation channels (with a total of 597 kilometers).

Following construction of the six commodity grain base counties and municipalities, grain output has grown steadily year after year, and commodity grain provided to the state has increased. According to statistics, gross grain output of the six counties and municipalities in 1987 reached 4.212 billion kilograms, a 26.1 percent increase over 1982, before construction of the base counties and municipalities, which accounts for 26.83 percent of Hubei's total grain output increase for that

period. Over 2.05 billion kilograms of commodity grain (unprocessed food grains) was provided to the state, a 36.66 percent increase over 1982, which accounts for 16.87 percent of Hubei's total commodity grain increase for that period. Calculated based on 42 million yuan of state and provincial investment, for every 1 yuan of investment, grain output increased by 21 kilograms and commodity grain increased by 13.1 kilograms. At the same time, output of other agricultural products of the six counties and municipalities increased to varying degrees. In 1987, the gross value of agricultural output of the six counties and municipalities was 2.78 billion yuan, a 39.7 percent increase over 1982, and the 1987 net per capita income of peasants was 536 yuan, a 155.2 percent increase over 1982. In 1988, Hubei has been hit by natural calamities, but the grain output of the six counties and municipalities is expected to surpass 1987 output by over 50 million kilograms.

### Hunan Vegetable Supply

40060195c Changsha HUNAN RIBAO in Chinese  
2 Nov 88 p 1

[Article by Zhang Du 1728 3256 and Liu Pingchun 0491 1627 2504: "Money Has Been Spent and Prices Have Risen; Why Are There Fewer Vegetables?"]

[Text] Previously, when vegetable prices rose sharply and housewives carried their shopping baskets to the market, they invariably strolled to the state-run vegetable stores to take a look. The housewives' logic was that the state subsidizes the state-run vegetable stores, and that this should bring "material benefits" back to their shopping baskets. However, this was actually very hard to achieve, and the housewives often entered the store with empty baskets and left with empty baskets, too. They therefore complained that the "material benefits" brought back from the state-run vegetable stores were becoming fewer and fewer, and they eyed these stores with suspicion: exactly where was the money supplemented by the state being spent?

In mid-October, the reporters, at the Hunan Provincial Price Department, saw data from the Vegetable Department which proved that the housewives' complaints and suspicions were reasonable. Between January and September of this year, Changsha City residents' average per capita consumption of state-subsidized vegetables was 21.8 kilograms, a 40.2-kilogram decrease from the same period in 1984. Inside the residents' shopping baskets, the percentage accounted for by vegetables from the state-run vegetable stores has also declined sharply, from over 30 percent then to something over 10 percent today.

But this by no means implies that the state is spending less money. In the first three quarters of this year, the state paid 9,002,600 yuan in subsidies to the Changsha City State-run Vegetable Department, and adding to this the amount from the fourth quarter budget, subsidies for the whole year will reach a record-setting 13,238,500 yuan (not including "overt subsidies" to residents), 2.71

times the 1984 subsidy figure. Such a striking inverse ratio between subsidies and benefits to residents cannot help but make people ask, "Why?"

One day in September, a 360,000-kilogram shipment of vegetables arrived in Changsha from Inner Mongolia and Gansu, and it was unloaded and inspected. Unexpectedly, 30 percent was spoiled. From January to September, Changsha City's losses from spoiled vegetables amounted to 3,629,000 yuan, 10 times the 1984 amount! Not only has there been a lot of spoilage of vegetables this year, the spoilage has considerable "special characteristics." One of these is two-ended spoilage. Previously, a large batch of wax gourds was shipped to Changsha from such places as Zhuzhou and Yueyang, while Changsha's vegetable farmers were worried day and night about not being able to sell their own wax gourds in the fields. As a result, the gourds brought in from the outside rotted in cold storage and the locally-produced gourds rotted in the fields. At one location at the Second Line Base, 70 percent of 80 mou of wax gourds rotted in the fields. Adding the two ends together, over 1 million kilograms of wax gourds spoiled. The second characteristic is spoilage of purchased shipments. As soon as a stable market is announced, vegetables are brought in from all around, without first taking quality into account, since as long as the quantity is large, it can be accounted for in reports to leadership. At the beginning of the year, Changsha brought in two railroad carloads of Brussels sprouts from Hangzhou. The shipment had started to spoil when it was being loaded, and by the time it reached Changsha, water was running out of both cars, it stank to high heaven, and they had to pay someone to haul it to the garbage dump. In January and February 1988, over 4,800 tons of subsidized vegetables were brought in from other localities, of which nearly 3,000 tons spoiled. In this one case alone, losses amounted to about 1.5 million yuan. The third characteristic is spoilage in storage. In mid-September, a large shipment of hot peppers was sent to Changsha from the Second Line Base. Rather than putting it on the market, it was put into cold storage to await the "substantial" National Day market. By National Day, much of the hot peppers had spoiled. By 13 October, there were still 40,000 kilograms of hot peppers in cold storage, of which 80 percent was already spoiled, and it looked as if it, too, would have to be hauled to the garbage dump.

Spoiled vegetables are an old problem of the state-run vegetable industry, but it has now reached an extent which is difficult to tolerate. Of the more than 9 million yuan in subsidies between January and September 1988, after deducting operational personnel's wages, bonuses, and welfare, and capital construction maintenance and repair costs, there should be over 7.3 million yuan left over to supplement the residents' shopping baskets, but actually, nearly half of this rotted away with the vegetables! The amount lost on the spoiled vegetables could have supported all of the personnel in the vegetable industry for from 2 to 3 years. In earlier years, most of the losses incurred by vegetables shipped from other



localities were due to prices, but from the second half of last year the main cause of losses has been spoilage. We have no choice but to draw the following conclusion: the sharp increase in losses from spoilage are an indication of the day-to-day decline in the operation and management level of the state-run vegetable industry.

With respect to vegetable subsidies, many people believe that when fluctuations occur in market supply, the government must spend more money to help the state-run vegetable stores keep down prices. The question is how to spend this money. In the past few years, state subsidies have increased yearly, while there has been a corresponding yearly increase in losses caused by operational blindness and confusion. Calculating by sharing out this year's subsidy amount equally, the amount paid by the state to the provincial capital to subsidize vegetables amounted to over 18 yuan per 50 kilograms, while the retail selling price from 50 kilograms is only 12 yuan! Actually, less than 42 percent goes toward supplementing residents' shopping baskets. Not only that, the average price of subsidized vegetables at state-run vegetable stores has risen 58.21 percent over the past period last year, and the degree of rise in price is by no means much lower than the same period's composite vegetable market price. Moreover, the fewer the vegetables on the market become, and the more their prices rise, the more the state-run vegetable stores recoil from going into battle. Nearly one-third of the provincial capital's more than 90 stores have either fully or partially converted to other businesses. One typical example of last year's reforms is the Shuifengjing Vegetable Store, which newly fitted up its shop and let a Chinese medicine shop have

it, setting up just a small stand in front of the shop to sell vegetables. As the people say, money has been spent, prices have risen, and vegetables have become fewer.

Various questions regarding vegetable operation puzzle city residents. Exactly where should the money spent by the state go? Should it be spent on links in the distribution chain, as now, or should it be spent on links in the production chain, as in several advanced nations, regulating the market through regulating production? Exactly what methods should be adopted for the city's vegetable operation? Should a group of people be trained by the state to run the operation, as at present, or should shops be sold or rented, and vegetable farmers or collectives and individuals with inclinations in this direction be allowed to run the operation? The time has already come when these questions must be seriously studied and resolved.

#### **Yunnan Plastic Film Output**

40060243e Kunming YUNNAN RIBAO in Chinese  
9 Jan 89 p 1

[Summary] As of today, enterprises in Yunnan Province had produced 4,831 tons of plastic film for farm use, a 56.46 percent increase over the same period in 1988.

#### **Zhejiang Late Rice**

40060303c Hangzhou ZHEJIANG RIBAO in Chinese  
1 Jan 89 p 1

[Summary] In 1988 gross output of late rice in Zhejiang Province was 7,615,600 tons, an increase of 115,100 tons over 1987; the per mu yield was 386 kilograms, an increase of 12 kilograms over 1987.



**New Characteristics of Economic Crimes Outlined**  
40050177 Beijing JINGJI RIBAO in Chinese  
15 Dec 88 p 3

["Persons with the Supreme People's Procuratorate Reveal the Eight Major Characteristics of Current Economic Crimes"]

[Excerpts] [Passage omitted]

**1. Major cases involving graft and bribery continue to plague us.**

In 1986, procurate organs nationwide investigated 39,600 cases involving graft and bribery, said cases accounting for 80 percent of all cases investigated. In 1987, 28,000 cases of this kind were investigated which accounted for 75 percent of the total and from January to October of 1988, 16,000 cases of this kind, accounting for 71 percent of all cases, were investigated.

In 1987, procurate organs nationwide investigated 5,392 cases involving major economic crimes, said cases accounting for 17 percent of all crimes investigated. From January to October of 1988, 2,400 major economic crime cases were investigated, accounting for 16 percent of the total. In some areas, major economic crime cases have been on the rise. For example, the Guangzhou Municipal Procuratorate investigated 45 cases of graft and bribery each involving over 10,000 yuan from January to September of this year. This accounted for 40.2 percent of all cases and represents a 230 percent increase over similar cases during the same period last year. Currently criminals have shown a new tendency to "refrain if they haven't the courage, but if they are committed, then they might as well go for large amounts." First, one-time cases of embezzlement are involving large sums of money and a fairly large proportion of the cases involve sums over 10,000 yuan. While examining a construction project, a cadre named Zhu Ji [4281 1015] from the Guangzhou Municipal Planning Bureau exacted a bribe of 70,000 yuan from the unit responsible for the construction, the first Construction Company of Kaiping County. Xinjian County in Jiangxi Province has had 8 major cases of one-time embezzlement involving at least 10,000 yuan since 1987. Second, there are numerous on-going crimes. This year criminals have been continuing to commit their crimes until they are detected. A storekeeper named Hu Meiyong [5170 5019 0516] at the Changyi Granary Warehouse in Shandong Province collaborated with others to commit 15 crimes in succession within one year which netted him 10,900 yuan in misappropriated money. After being exposed and while the procuratorate was investigating the case, Hu continued his criminal activity.

**2. The incidence of cases within grain and oil organizations are on the rise.**

In 1986, we had a fairly high incidence of cases involving banking and supply and marketing organizations. These generally made up about 70 percent of all cases investigated by the procuratorate. Since 1987, the economic

crime activity within these departments has been cut in half but cases involving grain and oil organizations have doubled and redoubled. For example: at the Yiling Oil Factory in Jiangdu County, Jiangsu Province eleven persons including the oil keeper, the accountant, the person in charge of invoices, the refiner and the furnace man have on numerous occasions since 1984 stolen grain oil and sold it to grassroot granary departments thereby netting a total of 13,100 yuan in misappropriated funds.

**3. The criminals are getting younger.**

At present, some of our youth who are responsible for watching over money or goods openly misappropriate public funds and commit serious economic crimes because of an unprecedented consumer mentality. According to statistics of the procuratorate in Huangshan, Anhui Province, and Chongqing, from January to August of this year there were 30 criminals under the age of 35 involved in economic crimes; this accounts for 53 percent of all criminals. At the Yinyou City Credit Cooperative in Shijiazhuang a teller named Ru Yanli [5423 5333 7787] who is only 19 years old misappropriated over 6000 yuan in public funds after having been on the job one month.

**4. The phenomena of criminal conspiracy and insider accomplices is becoming critical.**

Prior to 1986, most crimes were committed by criminals acting solo. Since 1987 we have seen the continual emergence of criminal conspiracies and crimes committed with the help of insiders. In one county there have been 14 cases of criminal conspiracy from 1987 up until September of this year involving 63 persons. Each case involves an average of five or more criminals and one case involved over 100 people.

**5. Crimes involving state cadres have risen.**

In recent years we have seen an increase in the number of economic crimes committed by state cadres holding leading positions. For example: of the 31 people prosecuted and punished by the procuratorate of Xinjian County, Jiangxi Province in 1986, only five were responsible cadres. This made up 16 percent of the total. But from 1987 to September of this year, of the 89 criminals prosecuted and punished, 31 were responsible cadres of various units. This accounts for 35 percent of the total.

**6. We are seeing new changes in the patterns and methods of crime.**

Formerly economic criminals mainly were involved in altering the accounting books but now they use other underhanded methods that don't involve the accounting books or else they commit their crimes through the use of computers. Section Chief Mo Yongjian [5459 3057 1696] of the Warehouse guard section at the Dumo Granary in Li Pu County, Guangxi Province took advantage of his duties between 1985 and September 1987 to forge 120 bills of grain purchase, falsely reporting sales of

22,500 catties of paddy rice and netting over 10,000 yuan of misappropriated grain funds for himself. A payments clerk named Lu Zhunyu [4151 0402 1342] in the financial affairs section of a certain large hotel in Guangzhou made use of a computerized cash register to commit his crime of misappropriating 10,400 yuan in certificates of foreign exchange and 11,000 yuan RMB.

**7. We are facing a critical situation where criminals are absconding with funds after committing their crimes.**

Based on statistics from the procuratorates of Guangzhou, Wenzhou and Bengbu, beginning this year 38 economic criminals have fled from justice. Among them five criminals in Guangzhou have fled to foreign countries. For example, a professional named Xia Lin [1115 7207] from the Peoples Hospital Consultative Services Company in Guangdong Province misappropriated 180,000 yuan in public funds, purchased a fake passport and then fled to Canada.

**8. Most stolen money is being squandered.**

Since 1987, most criminals have squandered away the money they have illegally obtained from their crimes. Mainly they purchase high grade consumer goods, squander the money away on bacchanalian orgies of food and drink or go on gambling binges. For example, Cheng Zhiyuan [4453 1807 6678] of the Datang Credit Cooperative in Xinjiang County, Jiangxi Province misappropriated 11,000 yuan in public funds, spent 7,000 yuan of this on gambling and bought a large set of expensive home furnishings.

**Poll Investigates College Students' Outlook on Life**

40050177b Beijing ZHONGGUO JIAOYU BAO  
in Chinese 1 Dec 88 p 3

[Article by The Ideology, Politics and Education Teaching and Research Section of the Beijing Institute of Economics: "Poll: College Students' Outlook on Life"]

[Excerpts] Recently we distributed a sample questionnaire to investigate the outlooks on life of some 200 students in our department. Our poll studied and analyzed 3 main areas—the students' ideals and goals in life, their attitudes and duties toward life and their contradictions and moral values in life.

**1. Ideals and Goals in Life**

In the course of examining their lives, college students find it extremely important to establish some kind of ideal. 34.5 percent of students polled indicated that they were "willing to work hard" to help China arrive at a fairly well off level by the end of this century and put China among the moderately developed nations by the middle of the next century. 52.5 percent of the students

indicated that "college students should hold communism as their ideal." From this we can see that over half of the college students feel that we should establish communist ideology, but this does not show us that these students themselves have made communism the ideal of their own lives.

From the data we have received in conducting numerous polls over past years, approximately 10 percent of all college students actively strive to enter the communist party and work hard to establish communist ideals. When asked whether they were willing to join the communist party, 59.5 percent of the students indicated that they "actively would seek to join." Of the students aspiring to join the party, there were different ratios depending on their age groups. We found greater ratios of students hoping to join as the students got older.

In the area of individual ideals and life outlook, 88.5 percent of students said their individual ideal was to "find the ideal job and fully develop their own capacities." However, whereas in the past, students, in selecting employment, had the attitude of "love whatever work they do," now students are inclined to "try to find work they love." Moreover, their desire to "find work they love" is quite strong. This new trend merits our attention and study.

In the course of achieving their individual ideals and goals in life, most students advocate individual struggle and believe in opportunism and fate. 66.5 percent of the students feel that the results of individual struggle "depend on certain conditions, the direction one takes, and how hard one works." 32.5 percent of the students feel that "success is in the hands of heaven, but man has the ability to make plans for himself." And 39.5 percent of the students feel that "life is subject to fate, but one's fate is not completely predetermined."

From the above we can see that the ideals and yearnings of most college students basically accord with the demands of the age and of the people. But because they have received various incorrect outlooks on life from wherever, there are many problems in the outlooks on life of college students that merit attention.

1) Quite a few students believe in rational egoism to varying degrees. These students feel that the basic standard for being human is to be subjective toward oneself and objective toward others. On the issue of the common good and selfishness in actual life, 58.5 percent of the students feel that one should "look after both the common good and one's own interests," 22.5 percent of the students feel that one should "put the common good before one's own interests or pay more attention to helping society and less to helping oneself." In measuring the value of a person, 50.5 percent of the students feel that "a combination of devotion and demands makes a valuable person." From this we can see that the idea of rational egoism is fairly widespread among college students.

2) Many students fail to clearly distinguish a selfish outlook on life.

Regarding the view that "man is by nature selfish," 12.5 percent of the students felt that "this is true," but 50.5 percent said that "there is something to that" and 10 percent said "this is an erroneous notion." Regarding the view that "man's lot is to compete with other men, it's survival of the fittest and the good defeats the bad," 30 percent of the students felt that "this is true," 59.5 percent said "there is something to that" and 5.5 percent said "this is an erroneous notion." From this we can see that many students are confused about the selfish outlook on life.

3) Few students hold to a hedonistic outlook on life.

Five percent of the students have as their life ideal to "earn enough money to satisfy their needs." 2.5 percent hold as their highest need in life to "earn a lot of money and have a good time." They "haven't any plans" for the future.

## 2. Student Attitudes and Duties Toward Life

The results of our poll indicate that most students are enthusiastic about life. Twenty five percent of the students feel that "one's own destiny is tied in with the destiny of the nation." Twenty six percent of the students indicated that they "would care for others, study hard, work hard, and put their ideals into action." Eighty-four percent were willing to "work hard" to achieve the common ideals of the whole country. 88.5 percent agreed with the view that "it is worth sacrificing individual interest for the interests of the collective or others." Students who hold the above-mentioned enthusiasm for life have a sense of mission about the times they live in.

Results of the polls also indicate that some students are disillusioned with life, stand aloof from the world, and have pessimistic attitudes about life. Seven percent of the students were willing to "stand aloof from the world and pass their days peacefully." Students in this group feel that not only is study, work and labor a way to while away the days and kill time but that nothing really matters.

## 3. Human Contradictions and Moral Values

College students are fairly in agreement on views regarding basic human contradictions. As college students go through a transition period of psychological maturity, there are many contradictions in their psychological development. These contradictions show themselves most intensely in the clash between the students' ideal self and their actual self.

In appraising a person's value, college students attach importance to a person's social existence and his ability to earn a living. Fifty three percent of the students feel that "the development of society is founded on development of the individual." Of all the students polled, 84.5

percent feel that "each person is equal and assists the other in social life." Ninety one percent feel that "all laborers should receive the same respect and we shouldn't treat some as higher than others."

In the areas of moral values, students expressed a wide variety of standards.

In appraising themselves, students tended to feel that they put more emphasis on showing consideration to others than on competition and more emphasis on morality and justice than on material gain.

## Mixed Reviews on Controversial Film Viewed as 'Freedom of Expression'

40050169 Beijing BAN YUE TAN in Chinese  
No 23, 10 Dec 88 pp 37-39

[Article by Huang Guozhu 7806 0948 2691]

[Text] Ever since the film *Hong Gaoliang* (Red Sorghum) brought back a Golden Bear from Berlin, an unprecedented range of reviews regarding it has surfaced. Those who praise it say: "*Hong Gaoliang* is an indicator of China's film industry 'joining world rank,'" while those who are outraged declare: "This film shows how stupid backwardness is what the Chinese people are particularly good at, and winning such acclaim from foreigners only underscores the loss of face by the Chinese people." The latter further asks: "What is the significance of 'joining world rank' this way?" Many specialists also expressed their views from the perspective of their own art. Some cadre leaders also participated in the discussion and gave their views at length. An article in *Wenhui Bao* states that the film's dialogue, color, editing, and its ability to stimulate the senses were very successful, but the film itself was not able to emotionally stir the heartstrings of the audience.

Whether these views came from high or low, official or common folk, the literate or the illiterate each expressing his own, such a range of comment is both praiseworthy and welcome.

We remember how only ten years ago, the sword of Damocles "using xx to oppose the party" was suspended over the heads of all who engaged in the creative arts. Accusations calling such works "attacks by innuendo," "harboring dark motives," "how evil," etc., were frequently dropped from above with no warning. The quality of literary works was determined by one or several persons who had the authority to certify them as such. In contrast, now when mixed views on *Hong Gaoliang* and *Lao Ding* and those on the good and the bad of the two "latter day emperors" are not in agreement, it can be said that politics have become more open and democracy has raised its head; a sign that people are able to exercise their freedom of expression. While the past practice of "judging" literary works by one or several

important persons have not been completely eliminated, it will occur less and less with the passage of time, as such a practice runs counter to the open revolutionary spirit of the present.

However, in an open atmosphere, literary art circles, including the multitudes of readers, viewers and listeners, will need to prepare themselves psychologically to accept this favorable cultural phenomenon where differing opinions are allowed. This practice of letting authorities and leaders determine habits of expression has been allowed to continue for much too long. It must be recognized that as open reforms and political democracy gain in prominence, the people's capacity for psychological acceptance and appreciation of art will be increased. Even when someone praises a piece of art to the skies, or condemns it to the dogs, people will not be ruffled in the least. Most people will not believe that any one novel, play, or song will destroy or endanger the party and nation. People are beginning to understand that in the selection of all literary works and art forms, noting their ideological orientation, deficiencies, and maturity are all part of a normal cultural phenomenon that can be freely evaluated.

Of course, when I talk like this, I am not advocating elimination of standards, that writers and artists can write and create as they please.

At present, the level of China's masses for art appreciation is not very high. Most likely, most people who buy tickets to see *Hong Gaoling* do so with the idea of "joining the crowd for some excitement." Under these circumstances, our writers and artists have an even greater responsibility to provide more and better creative works for their enjoyment.

As far as the one billion viewers are concerned, no matter how good one film *Hong Gaoling* is, it is far from adequate. The mixed views expressed by people about the film actually hide their wish for more and better films like it. Not only must we have *Hong Gaoling* acclaimed in salons and among literary circles in the cities, we need even more, to have those peasants who year in and year out plant sorghum to accept and like *Hong Gaoling*. This may be difficult to achieve, but we now have, at least, the good soil and favorable climate to assure its strong and healthy growth.

**Hao Po-tsun's Military Network Detailed**  
40050213 Taipei TZULI WANPAO in Chinese  
19 Dec 88 p 9

[Article by Chang Yu-hua 1728 0645 7520: "Good Officers, Much Promoted. Hao Po-tsun's 6787 2672 2625 Four Major Loyal Supporters"]

[Excerpts] When President Chiang Ching-kuo died at his official residence on 13 January 1988, some people supposed that inasmuch as President Li Teng-hui had no solid military backing, he had to rely on Hao Po-tsun to reassure the armed forces as part of the stabilization of the overall situation. Possibly Li Teng-hui's confidence in Hao Po-tsun increased as a result, so he helped Hao Po-tsun move ahead in the armed forces, and consequently Hao Po-tsun has also become a person of decisive importance in the political forum. The high-ranking military officers in Hao Po-tsun's natural subordination system have also become a bloc that attracts attention.

One night at New Year's time 12 years ago, when the illustrious General Hu Lien [5170 8834], who had reviewed countless people in his life, who had twice served as commander of the Chinmen Defense Headquarters, and who had directly promoted Hao Po-tsun during the 23 August artillery duel, was discussing "the way of a general" with professors and students from the History Institute at Taiwan University, a reserve officer who had served under Hao Po-tsun during his period of military service suddenly asked Hu Lien, "Revered Po" (Note: Hu Lien is also known by the name of Po-yu [0130 3768]), "What sort of man do you think Deputy Commander Hao Po-tsun is? Can he become a general?" Since this question had been asked abruptly, and had been very bold, for a time both the professors and students riveted their gaze on Hu Lien as though by prior agreement.

After a brief silence, Hu Lien said slowly, "Hao Po-tsun has a talent for handling matters very decisively. He is a talented general who is difficult to come by. However, in the handling of personnel matters, Hao Po-tsun is sometimes overly hesitant, showing that his insight in 'judging people's worth and knowing how to employ them to best advantage' can stand improvement." After Hu Lien had finished speaking, a graduate student brought up a real example to argue with Hu Lien. After listening, Hu Lien said noncommittally, "It is hard to be a general, and even harder to know people. In the final analysis, a general's success and fame depends on those under his command working together to carry out the battlefield mission."

Then Hu Lien gave an example. He said, "On the eve of the 23 August 1958 artillery duel, a small problem arose in the Ninth Division's defense of Little Chinmen, so I immediately sent a report to higher headquarters of a change in battlefield command there; I ordered Hao Po-tsun to take over as commander of the Ninth Division for the defense of Little Chinmen. At that time,

quite a few people felt that my change in battlefield commanders was a violation of a military strategists' taboo, and that I had been too audacious in my choice of a person. It was for this reason that some people said that I should have selected a division commander from among the forces garrisoning Chinmen for assignment to Little Chinmen, and transferred Hao Po-tsun, who was fairly inexperienced on the battlefield, to Chinmen to become a division commander. I have never paid any attention to this kind of rotational method of solving personnel problems, carrying out pre-set personnel orders. During the artillery duel, Hao Po-tsun fought very well, as expected. Why did Hao Po-tsun fight well? It was mostly because once when Hao Po-tsun reported the military situation to me, he repeatedly conveyed the urgency of the combat situation to me and requested guidelines for actions to be taken. I told him that I know his purpose in making the report. I said: 'You think you can frighten me, and once I become frightened, you can withdraw?' 'You know, don't you, that Lu Chi-chia [7120 1807 1367], the Ninth Division's deputy divisional commander fought very well on big and little Ertan islands? So, as long as you give firm commands, and calm the troops, you will surely be victorious. As for the guidelines for action that you request, I have just one thing to say and that is, 'deploy your personnel well, and emphasize troop morale.'"

Hu Lien's expression was extremely grave as he told this unknown "inside story." However, when Hu Lien spoke about the ups and downs in the career of Hao Po-tsun's subordinate, Deputy Division Commander Lu Chih-chia, he heaved a sigh that is difficult to describe! Hu Lien said, "Lu Chih-chia is a very valiant general; unfortunately he does not handle personnel matters well, and it was personnel matters that put an end to his career." Since no one followed up with questions on Hu Lien's sympathy, there is no way of knowing just what the inside situation is.

In fact, the "commentary" on Hao Po-tsun that Hu Lien made 12 years ago is still an extremely apropos "evaluation" 12 years later about Hu Po-tsun's extraordinary decisiveness in handling any matter. As Hao Po-tsun acknowledged, in answer to questions he accepted through an intermediary, that "the handling of official matters, and making personnel assignments takes a very great deal of my time, and perplexes me a great deal." It is not difficult to discern from Hao Po-tsun's "own account" that the reason for Hu Lien's so profound a "commentary" about him demonstrates that Hu Lien's insight in "judging people's worth and knowing how to employ them to best advantage" is far greater than that of Hao Po-tsun. As to how Hu Lien is so able to understand Hu Po-tsun, the main reason is the differences between the two in their "personnel" concepts.

In June 1982, less than 7 months after Hao Po-tsun had been promoted to chief-of-general staff, when he spoke on "The Way of a General" at the graduation ceremony

for regular classes of the War College and of the Command and Staff College of the Combined Army, Navy, and Air Force University, he acknowledged that the main elements needed for a general to succeed in his profession are "ability," "ambition," and "good luck." There must be a combination of these three in order to succeed. Of the three, "good luck" is the only one not "up to oneself," said Hao Po-tsun. Hao Po-tsun believes that if a general has "ambition" and "ability," he will always be ready to "welcome" good luck. When good luck comes, he can take advantage of it in order to make the most of his ambition and ability. So, it is ambition and ability that are "up to oneself," and "good luck" that is "up to a person."

The "good luck" that Hao Po-tsun emphasized here referred to the requisites for senior officers' success, namely the "appreciation of one's commanding officer" and the "appearance of opportunities." This shows Hu Po-tsun to be a general who pays a very great deal of attention to interpersonal relationships. His success must stem not only from the personal talents he exhibited, but also the appreciation of his commanding officers for him to be able to seize opportunities that appeared.

It is clear from this explanation that Hao Po-tsun's principle for "using people to greatest advantage" is to emphasize use of subordinates about whom he is personally confident that they will carry out the orders he issues. Therefore, criticism of Hao Po-tsun's personnel assignments has a certain amount of validity. Of course, this is not to deny completely Hao Po-tsun's "personnel selection policy." After all, given the limitations of the overall environment, no matter how intelligent and experienced he may be, would Hao Po-tsun be able to create "good luck" unless his subordinates worked for him with might and main, and were totally loyal to him?

A retired high-ranking military officer who had been Hao Po-tsun's comrade in arms during the "23 August artillery duel" said that the Chinese are a people most concerned about "human relationships." Though Hao Po-tsun is an intelligent and experienced general, his "legal" use of old subordinates is his right in the selection of cadres, and it is also a natural and normal use of human relationships. For example, Deputy Army Commander Chao Wan-fu [6392 5502 1381], Ministry of National Defense Intelligence Bureau Director Huang Shih-chung [7806 0013 1813], Military Police Commander Chou Chung-nan [0719 0112 0589], and President's Office Aide Chao Kan-cheng [6392 3227 2052] are all military officers who have long been Hao Po-tsun adherents. Hao Po-tsun has promoted them, and mostly it is Hao Po-tsun who understands their character. Nevertheless, actions on the part of Hao Po-tsun to assign many of his subordinates once he attained his position has aroused criticism from outsiders. According to an old adage, "when one is known far and wide, he is also slandered." Though Hao Po-tsun has become successful and famous in recent years, much sharp criticism has been leveled against him for his "personnel selection

policies" from both inside and outside the armed forces. This shows in an indirect way that Hu Lien's words about Hao Po-tsun during the lunar New Year sometime ago might be taken to heart.

An analysis of the loyal supporter system that Hao Po-tsun has built in the armed forces shows that high-ranking military officers having a direct or indirect relationship to Hao Po-tsun come from four major systems as follows:

First is high-ranking military officers from the Military Science Institute of the Combined Army, Navy, and Air Force University. One instructor in the Army College of the Combined Army, Navy, and Air Force University noted that the "Military Science Institute" had been set up by Yen Pai-lien [6056 4102 6197], the former commandant of the Combined Army, Navy, and Air Force University, on instructions from Hao Po-tsun. The motivation and goal in its founding was to improve the quality of high-ranking officers in the three forces. Graduate students selected for entry into the Military Science Institute had trained in the Command and Staff College and in the War College, and were later assigned as high-ranking officers in troop units. After their training for several years, Hao Po-tsun directed that they must return to the Combined Army, Navy and Air Force University for advanced education. Following training there, they were sent out to positions in army groups at the commanding officer level or above. Hao Po-tsun's change to advanced education for the nation's armed forces represented a marked change from the former method whereby high-ranking officers received promotion on the basis of their academic record in the War College.

In fact, no one could cavil Hao Po-tsun's instructions to establish the Military Science Institute in order to improve the quality of high-ranking officers. Nevertheless, Hao Po-tsun did not abide by the provisions of the "Combined Army, Navy and Air Force University Organizational Regulations." The policy of establishing a Military Science Institute in addition to the War College, thereby lowering the status of training of general and field grade officers in the War College to a par with training in the Command and General Staff School, was the key point on which he was criticized. Since general and field grade officers trained in the War College did not have career opportunities as good as graduate students in the Military Science Institute, most incumbent officers in charge in military group command level combat units had Military Science Institute credentials and became the high-ranking officers in control within the armed forces.

Second is those senior officers who have served as aides to Hao Po-tsun, or who have an extremely close relationship with him.

Such high-ranking officers currently form the backbone of the armed forces, and are regarded as the young Turk faction in the armed forces. They are mostly lieutenant or major generals. Since they have served with Hao

Po-tsun in the past, they also have an extremely profound understanding of his way of doing things and his combat concepts. Thus, in the near future, they may become a new "breed of general."

Third is high-ranking officers tied to Hao Po-tsun through common provincial origins, and who have had a close relationship with him for many years. Most of them are from "special forces," or are "high-ranking officers in science and technology." Their expertise was developed in specialized fields, so they have naturally also become Hao Po-tsun's braintrust, and they participate in some of his policy decisions. These high-ranking officers have reached the peak of their careers in the armed forces, so they may retire within the next 5 years; consequently, their importance is not the same as that of the high-ranking officers in the other three systems.

Strictly speaking, Hao Po-tsun's "personnel selection policies" are connected to his background. Since Hao Po-tsun formerly served as an aide to the former chiefs of the general staff, Ku Chu-tung [7357 4376 0681] and Chiang Kung [5592 0361], emotionally his habit of selecting subordinates may be a continuation of past methods. In his view, possibly there is nothing wrong with this method, but the question is whether he can "place people according to their talents." This is a question that deserves to be discussed.

#### 1. High-Ranking Officers From the Combined Forces War College and the Military Science Institute

Name	Rank	Position
Chao Wan-fu [6392 5502 1381]	Army General	Army Deputy Commander-in-chief
Wang Tuo-chih [3076 1122 1807]	Army Lieutenant General	Army Deputy Commander-in-chief
Ts'ao Ssu-ch'i [2580 1835 7871]	Army Lieutenant General	Army Headquarters, Chief of Staff
Ch'en Yen-ch'ung [7115 1693 1404]	Army Lieutenant General	Army Group Commander
Mao Meng-? [3029 1125 ?]	Army Lieutenant Colonel	Army Group Commander
Wang Wen-hsieh [3769 2429 3610]	Army Lieutenant Colonel	Army Group Commander
Ch'eng Pang-chih [4453 6721 3112]	Army Lieutenant Colonel	Commander, Chinmen Defense Command
Ning You-wu [3942 2394 2976]	Army Lieutenant Colonel	Commander, Matsu Defense Command
Yin Tsung-webn [3009 1350 2429]	Army Lieutenant Colonel	Commander, P'enghu Defense Command
Wang Ming-hsun [3769 2494 3169]	Army Lieutenant Colonel	War College Commandant
Chang Ch'ien-kuang	Army Lieutenant Colonel	Army College Commandant

#### 1. High-Ranking Officers From the Combined Forces War College and the Military Science Institute

Name	Rank	Position
Yang Yuan-p'u [2799 0337 2528]	Army Lieutenant Colonel	Army Officers School Commandant
Li Chen-lin [2621 2823 2651]	Army Lieutenant Colonel	Deputy Chief of Operations
Ho Ch'ing-chung [0149 3237 1813]	Army Lieutenant Colonel	Deputy Chief of Political Warfare
Wang Je-yu [3769 5387 4417]	Army Lieutenant Colonel	Deputy Chief of Personnel
Ku Ch'ung-lien [7357 1504 1670]	Navy Vice Admiral	Fleet Commander
Lei Tien-lin [7191 1131 7207]	Navy Vice Admiral	Deputy Fleet Commander
Lei Hsueh-ming [7191 1331 2494]	Navy Rear Admiral	Navy Deputy Chief of Staff
Sun Wei-hui [1327 4850 1920]	Navy Vice Admiral	Navy Officers School Commandant
Lin Wen-li [2651 2429 4409]	Airforce Lieutenant General	Air Force Deputy Commander
Yuan Hsing-yuan [5913 5887 6678]	Airforce Lieutenant General	Air Force Officers School Commandant
Chang Chao-jan [1728 3564 3544]	Army Major General	Director, Bureau of History and Politics
Ting Chih-fa [0002 0037 4099]	Army Lieutenant General	Army Logistics Department Commander
Lin K'o-ch'eng [2651 0344 2052]	Army Lieutenant General	Deputy Chief of Logistics

#### 2. High-Ranking Officers Who Have Either Served As Aides to Hao Po-tsun or Who Have An Extremely Close Relationship With Him

Name	Rank	Position
Yang T'ing-yun [2799 00890 7207]	Army General	Executive Officer, General Political Warfare Department
Li Chien-sheng [2621 1696 3932]	Army General	Executive Officer, General Political Warfare Department
Wan Te-ch'un [5502 1795 5028]	Army Lieutenant General	Deputy Director, General Political Warfare Department
Huang Chia-chin [78061367 6214]	Army Lieutenant General	Director, Political Warfare Department, Army General Headquarters
Chang Ta-chun [1728 1129 0193]	Army Lieutenant General	Director, Political Warfare Department, Taiwan Garrison Command Headquarters

**2. High-Ranking Officers Who Have Either Served As Aides to Hao Po-tsun or Who Have An Extremely Close Relationship With Him**

Name	Rank	Position
Sun Sen [1327 2773]	Army Lieutenant General	Deputy Commander, Taiwan Garrison Command
Wu Tung-ming [0702 2639 2494]	Army Lieutenant General	Deputy Director, Investigation Bureau
Huang Shih-chung [7806 0013 1813]	Army Lieutenant General	Director, Military Intelligence Bureau
Hsu Po-sheng [1776 0590 3932]	Army Lieutenant General	Army Commander
Li Chien-chung [2621 1696 0022]	Army Major General	Army Group Deputy Commander
Chang Kuang-chin [1728 0342 6930]	Army Lieutenant General	Commander, President's Bodyguard
Chou Chung-nan [0719 0112 0589]	Army Lieutenant General	Military Police Commander
Kuo Yun [2654 5366]	Army Lieutenant General	Commander, Military Purchasing Unit in the United States
Liu Ch'ih-chung [0491 6375 1813]	Navy Vice Admiral	Deputy Director for Planning
Yuan Hao [6678 6275]	Army Lieutenant General	National Defense Administration School Commandant
Chu Yen-chang [2612 1693 2490]	Army Lieutenant General	Director, Second Operations Directorate
Chao Kan-ch'eng [6392 3227 2052]	Army Colonel	Aide-de-Camp
Teng Tsu-lin [6772 4371 3829]	Army Major General	Chung Cheng Reserve School Commandant
Kung Li [6302 0500]	Army Major General	Member War Plans Unit, Army General Staff
Liu Ning-shan [0491 1337 0810]	Army Major General	Trainee, Combined Forces University
Cheng Yao-hsiang [6774 5069 3276]	Army Lieutenant General	Army Commander

**3. High-Ranking Officers Having Hao Po-tsun's Special Backing**

Name	Rank	Position
Ch'en Yen-ch'ung	Army Lieutenant General	Sixth Army Group Commander
Yang Yuan-pu	Army Lieutenant General	Army Officer's School Commandant
Hsia Hsi-lung [1115 6932 7893]	Reserve Lieutenant General	Advisor, General Headquarters
P'an Shu-jen [3382 2885 0086]	Army Lieutenant General	National Defense Medical College Commandant
Ch'en Ch'uan-hao [7115 0278 6964]	Army Lieutenant General	Chung Cheng Science and Engineering Academy Commandant
Ch'u Yu-mei [0427 3022 2734]	Army Major General	Director, Judge Advocates Office, Army General Headquarters
Huang Hsiao-tsung [7806 1321 1350]		Acting Director, Chinese Academy of Sciences

**High-Ranking Officers From the Ninth Division**

Name	Rank	Position
Wen Hai-neng [3306 8130 5174]	Army General	Combined Logistics Department Commander-in-chief
Chao Wan-fu	Army General	Army Deputy Commander-in-chief
Lu Kuang-i [4151 0342 5030]	Army Lieutenant General	Deputy Director, Combined Training Command



**Mainland's Political Liabilities in Hong Kong**  
40050143 *Hong Kong KUANG CHIAO CHING [WIDE*  
*ANGLE]* in *Chinese* No 194, 16 Nov 88 pp 14-16

[Article by Chung Hsien 6945 6343: "On the Politically Inferior Position China Faces in Hong Kong"]

[Excerpts] [Passage omitted] The drafting of the Basic Law was, in fact, only one campaign in the big war waged by the political forces. It has now become a dense fog that blocks people's line of vision, so that they cannot make an accurate judgement of the political situation in Hong Kong. Because the drafting of the Basic Law is a matter that falls within the purview of China's sovereignty, and because the great majority of the members of the drafting committee are from the interior, the impression is given that China has a lot of influence in it. [passage omitted]

Actually, looked at it from the angle of the overall political developments, China's situation over the past several years has been highly unfavorable. This unfavorable situation may be analyzed from three aspects.

First, in the overall political atmosphere, feelings of opposition and resistance to communism are running extremely high. The people of Hong Kong have no alternative but to accept the reality of the changes that 1997 will bring. From one aspect, the tide of emigration in the past two years reflects this reality. No matter how low key Chinese officials handle the emigration problem, or how they stress that talented person will flow back, the increase in the number of emigrations makes it clear that the people of Hong Kong lack confidence in the future. The most important reason for this lack is, naturally, the change in Hong Kong's political status that will occur in 1997. For historical reasons as well as the social, political, and economic differences between China and Hong Kong, it is not surprising that the people of Hong Kong lack confidence in the future. But the problem is that since China and Britain signed the Joint Declaration, this confidence has plunged. Besides objective and gratuitous factors that account for this plunge, there is the factor of political struggle. With regard to the objective and gratuitous factors, the political fluctuations in recent years in China's political and economic situations are, without a doubt, cause for concern. Neither China nor Hong Kong can exercise control over foreign countries that open their doors to attract people emigrating from Hong Kong. Over the past several years, China has made many mistakes in its Hong Kong policy, while other forces have adroitly guided their actions in accordance with these mistakes, so as to turn them into evidence that China has wildly interfered in Hong Kong's affairs. For example, during the debate in 1987 over the development of the relevant representative government system, the image that China projected was that of trying to block and slow progress toward democracy in Hong Kong; and during the drafting of the Basic Law China

projected the image of exercising firm control over the drafting, which also caused the people of Hong Kong to lose their enthusiasm for taking part in discussions on the Basic Law.

Generally speaking, China's image in the eyes of the people of Hong Kong is: China lacks confidence in them and does not fully respect the idea of their ruling Hong Kong. Because it fears that it would lose political control, it does not take an enthusiastic and encouraging attitude toward the democratization of Hong Kong's politics, and it uses its political influence to block and slow this process.

The people of Hong Kong are not particularly keen about politics, and the majority of them are not prepared to take part in governmental affairs. But they lack confidence in China's ability to exercise control. If the Chinese side shows a little tendency to interfere in Hong Kong's politics their confidence in the future is dealt a blow. [passage omitted]

Second, in its relations with other political forces, China has set up too many antitheses and does not have several dependable friends. In laying its foundation, its work of widely making friends may be reckoned a serious failure. [passage omitted]

Not long after China and Britain signed the Joint Declaration, China displayed a serious mistrust of Britain, criticizing it for "not going by the book" and also describing Hong Kong's pursuit of a representative government system and administrative measures as a "plot." Of course, no matter how good Sino-British relations are, the Hong Kong government and the Chinese communists will not be allies. From first to last, their relationship is that of each trying to cheat or outwit the other, of having mutual interests, and of having both unity and struggle. But China often employs rough, hard tactics in dealing with this delicate relationship. Although these tactics have not damaged its diplomatic relations with Britain, China does not understand how to best use the dominant position it has by regaining sovereignty in dealing with cleverly and individually each different pro-British force so as to get fairly good results.

The British have ruled Hong Kong for more than 100 years, and the pro-British forces there are enormous and solid. Besides all the people in the government functionary system, these forces include the greater part of the upper class and the middle class and professionals in society. However, that these people are politically close to the British in Hong Kong does not mean that they accept their command. If the Chinese communists cannot cleverly make contacts and friends, this means that they cannot get the good opinion of the pro-British forces, and also try to make them either neutrals or friends. But in many political disputes, the Chinese side shows that it does not understand the actual situation in Hong Kong, and often resorts to sophistry, so that it is

really difficult for it to get the support of the British in Hong Kong. After 1997 the pro-British forces will still be the mainstream political force. If at the present time China cannot handle well its relations with them, it will be bound to be in a passive position in 1997.

In the nongovernmental aspect, over the past several years the relations between China and the democratic parties have seriously worsened, a situation that is actually not necessary. [passage omitted]

Of course, there are different factions in the democratic parties, and they also have different attitudes toward China. They are now able to form one line. Their general demands are really very simple, namely, to quicken the pace of the democratization of Hong Kong's political system and to make the political process more open. To balance the discussion, these demands are also advantageous for China, because at the present time the British in Hong Kong and their close supporters have a monopoly on policy-making decisions. If the government is not made more open, not only will it be difficult for the idea of "Hong Kong people ruling Hong Kong" to become a fact, but also China will neither know its enemies nor itself and will only have a vague idea of Hong Kong's policy-making decisions. For a long time China will remain in a passive position. What is hard to understand is China's negative attitude toward the demand for democratization. It would restrict democratization to a designed sphere, and its stand is opposite to that of the democratic parties.

Actually, even if China's activities, because of some people's worry about them, are that of showing no consideration for the pace of democratization in Hong Kong, China also does not have to play the role of the "devil." The British in Hong Kong and the conservative figures there also resist democratization, so there is no need for China to take the initiative in attacking it. The British in Hong Kong are now giving judicious guidance according to circumstances and would be only too glad to have China bear the responsibility for the slowing of modernization. It would be satire of the highest kind if almost all the democratic parties, who could have become friends of the Chinese communists, instead became their enemies.

Because China plays the role of the "devil" who is slowing democratization, it has acquired friends who hide different intentions behind the semblance of accord; on the other hand, it would really be highly dangerous for China to put all its stakes on the conservative capitalists. [passage omitted]

In summing up the relations between the above-mentioned political forces, the third question on the political situation is: When the British in Hong Kong hand over sovereignty in 1997, who will be the recipient?

The question of the handover of sovereignty in 1997 is really the key to the political changes. There must not be a vacuum in Hong Kong's political power. If there is, there will be chaos and unrest. Hong Kong has become a highly modernized and complex society. It will certainly not be easy to take over the political power of the British in Hong Kong, and it will be even more difficult for the Chinese side to take part in the new regime. [passage omitted]

As was said before, in Hong Kong the political image of the Chinese communists is low. It is true that their political movements are a big obstacle, but a more serious problem is that they have a shortage of talented persons. However, going back to what has been said, is the political situation in Hong Kong stable because the British there and the conservative figures in industry and commerce truly enjoy the broad support of the masses? Perhaps not. Actually, the masses in Hong Kong are very realistic. Provided that the people in the administering government are not reckless and are able to manage affairs, the masses will accept them and not demand too much from them. [passage omitted]

But the political system is being opened up too slowly. In addition, with their lack of talented persons the Chinese communists will find it difficult to take the initiative when they take over political power. If we take a broad view of Hong Kong's organizational system, we see that the great majority of the people in it are politically pro-British. The British there have already closed tightly the gate to the organizational system. They have only accepted "fine chaps" who are close to them politically. Before the Sino-British Joint Declaration was signed, the Chinese communists had no alternative but to accept it whether they liked it or not. But it has been four years since the signing, and there has basically been no development of the political system. The opening up of the policy-making process has also been extremely slow. With the present trend in the development of affairs, by 1997 I believe that Hong Kong's political system will still be a basically closed one. Besides being shut out of the policy-making process, the Chinese communists will really have no other option than to accept the group trained by the British.

The Chinese communists do not now have political power and their conditions for training talented persons are naturally not as good as those of the British, but they are not powerless. First of all, the Chinese communists have their own sphere of control. Besides the traditional trade unions, literary publishing ventures, and educational undertakings, the drafting of the Basic Law gives them a good opportunity to train talents. But unfortunately, because of the capability, courage, knowledge and experience of the relevant personnel, in the end they fetch "neither soup nor water." Second, it should be all right for the Chinese communists to use the channels in the organizational system that have already been opened, like the elections to the regional assemblies and to the political bureaus and legislative bureaus of the two

cities. But now, except for a little activity in the regional assemblies, the Chinese communists are basically staying out of the organizational system and are content to be spectators.

In addition to the above-mentioned two points, society is really a vast field of activity, and talented persons can emerge in large numbers in social movements. The insurrection in 1967 and the leftist student movements in the seventies, although now criticized as being the products of the ultraleft line, without a doubt tempered the talents possessed by the Chinese communists in these movements. At the present time the Xinhua News Agency is becoming localized and is really setting about doing this with the talented persons who were in the "movements." Unfortunately, over the past more than 10 years the Chinese communists have basically abandoned their position for conducting social movements. They have done so because the leftists have withdrawn, giving the middle-of-the-road forces the opportunity to rise up and become forerunners in entering the ranks of the democratic backbone elements. Therefore, the responsibility for the Chinese communists' shortage of talents in Hong Kong cannot be laid at the door of objective circumstances. Thinking of those days when the circumstances were that the Chinese communists were under the rule of the Kuomintang, wasn't their work more difficult and more dangerous? Why are they still able to attract a large number of outstanding elements? In the final analysis this is a problem of line and a problem of the leaders' courage. Hong Kong is a modernized, highly complex society, and its rhythm and efficiency are extremely fast. That the relevant personnel of the Chinese communists are not in the organizational system is, a priori, a serious disparity. In addition, the Chinese communists still do not trust the local people and do not dare to loosen their grip and throw themselves into social movements and promote true talents from all quarters. It will be hard for them to avoid a situation in which their talents are withered, scattered, and fallen and in which they will have no successors. The Chinese communists will themselves discover that they have fewer and fewer friends, that they have more and more complaints against them, and that their situation has become more and more desolate.

What has been said above is an analysis from three aspects of the situation in Hong Kong in which the Chinese communists are in an inferior position in the political struggle. The three aspects include the fact that in the overall political atmosphere they lack the populace support; their relations with other political forces are very bad; and they have a shortage of talents and the degree of the participation in the political policy-making process is low. If the above-mentioned situation persists, by 1997 the Chinese communists will really have no other option than to let the "fine chaps" trained by the British continue to rule Hong Kong. [passage omitted]

**Political Attitudes Termed 'Fatal Weakness'**  
*40050180a Hong Kong MING PAO in Chinese*  
*13 Dec 88 p 20*

[Article by Kuo Shih-p'ing 0948 0013 1627: Director, Chinese Economic Society: "Political Weaknesses—Fatal Weaknesses in Moving Towards 1997"]

[Excerpts] [Passage omitted] The political weakness of Hong Kong people is very evident and here is a sharp difference with mainlanders. Compared to Hong Kong people, the political ideology of mainlanders has much more profound historical and social causes. As everyone knows, the political storms and constant political movements on the mainland in the past few decades has again and again gathered simple mainlanders into the ocean of politics and due to this the mainlanders have undergone unprecedented political education and have seen much and endured. This special social environment has also created among some mainlanders an abnormal political ideology, an excessive passion for politics, or a fundamental lack of concern for politics, an indifference to politics. However, the stability of political ideology of the mainlanders also has its positive aspects. One is that ordinary citizens are rather cool towards sudden political events and on the one hand this can avoid excessive disruption, and on the other can also avoid the excessive growth of political movements. Two is that after some improper policies or regulations are made public, mainlanders are not so panic-stricken but rather coolly analyze how to avoid their disadvantages and actively consider adopting sensible countermeasures to reduce the disadvantageous elements to the minimum. Hong Kong clearly is not this extremely politically sensitive and this leads to great weakness politically. Once there is a disturbance they become panic-stricken, and if they do not focus on making adjustments it will be difficult to move towards 1997 smoothly. This is because 1997 is destined to come and Hong Kong is destined to maintain its prosperity, but a stable Hong Kong must demand the efforts of stable Hong Kong people.

The political weakness of Hong Kong people is multifaceted. One is the long-term lack of concern for politics and very little understanding of politics. As a result, once political events occur there is frequently no way to assess them correctly and adopt appropriate measures. The Hong Kong people's lack of enthusiasm for politics is long-standing and there are very deep historical and social causes for this. However, politics is after all a matter of governing everyone and is intimately related to the lives of each individual so even if one wants to avoid it it cannot be done. A passion for politics is inappropriate but elementary understanding and constantly paying attention to the political events which are related to one's personal interests and correspondingly improving regular political quality and the ability to analyze and have insight into politics are still necessary. This is because not only do people have an economic life, but they also have a political life. Although it includes

political life, paying some attention to politics and being concerned about political directions is much better than not understanding at all and completely taking orders from others!

Second, most Hong Kong people think that after all they themselves are powerless to influence some types of political activity, thus no matter what the event, they trust to luck and take a laissez-faire attitude. This can be seen in the basic attitude of Hong Kong people towards Hong Kong's post-1997 Basic Law. Probably no one dares to deny that 1997 is a major turning point in the lives of Hong Kong people and whatever the Basic Law of Hong Kong, it will be directly related to the politics, economy, and culture of Hong Kong people. Speaking rationally, no matter from what angle it is considered by Hong Kong people, such an important Basic Law should be regarded with a high degree of seriousness. However, the results of a Hong Kong Market Research Institute survey show that only 32 percent, or one third of the population of Hong Kong are concerned about the Basic Law, and 68 percent are unconcerned. Those who are unconcerned about the Basic Law make up over two-thirds of the entire population of Hong Kong. This result cannot but be alarming. Naturally, some Hong Kong people say that they may emigrate before 1997. But this is, after all, a minority and the majority of Hong Kong people will live or die with Hong Kong. Even emigration is not smooth sailing and there may be risks. Even so, why can we not through effort strive for the best result? It may be said that not being responsible with regard to the Basic Law actually is not being responsible with regard to oneself.

I think that individual Hong Kong people fear they are powerless to influence the formulation of the Basic Law. But the views of the overwhelming majority of Hong Kong people should be powerful and Hong Kong people should have this self-confidence. I also think that if we say that the Chinese government has established the precondition that it does not wish Hong Kong in the future to continue prosperity, then Hong Kong people are powerless to influence the formulation of the Basic Law. However, from current indications, the Chinese government has no reason to want to destroy the prosperity of Hong Kong. The argument is simple; if Hong Kong is not prosperous, it has no advantages for China. Since the Chinese government wishes to have a prosperous Hong Kong in the future and the Hong Kong people also hope to have a prosperous Hong Kong. Thus, the major goals of Hong Kong people and the Chinese government are identical and the differences are only in how to maintain this prosperity. Under these circumstances, what reason is there to doubt that the Chinese government will be bent on having its own way and the Hong Kong people are powerless to influence the Basic Law?

Three, Hong Kong people are overly sensitive to politics, and some issues which have been completely unrelated

to politics are forcibly linked up with politics, complicating many simple things. I think that political weakness is inseparable from oversensitivity to politics. Because of political weakness and lack of concern with politics, Hong Kong people do not understand politics. Coupled with fear of politics, it is quite easy to suffer from the disease of political oversensitivity. The concrete expression of this illness is being terribly suspicious, deliberate misrepresentation and being unable to make an appropriate appraisal. Hong Kong people's political oversensitivity on the arrival of 1997 is very obvious. Whether it is the Chinese government or the English government or the present government of Hong Kong, policies which were never made for political goals are analyzed politically by politically oversensitive Hong Kong people seeking underlying political motives. As a result, some policies which basically never had any specific direction or even whose political meaning the formulators had not even considered, have been exploited by some Hong Kong people who suffer from political oversensitivity. By creative imagination and making things complex, they have frightened themselves and this clearly is not good for the stability of Hong Kong.

Fourth, a very large part of the Hong Kong people still are not concerned about things Chinese now that 1997 is about to be here. Like an ostrich, the Hong Kong people stick their heads in the sand and are deceiving themselves. I think that the return of Hong Kong to China is now irreversible and Hong Kong people should come back from their illusions to the real world. Hong Kong people should understand China and know China so that they can adapt themselves and adopt corresponding countermeasures. I dare think that because Hong Kong people have for a long time been afraid of the mainland, they have been indifferent to China. As a result, very few Hong Kong people truly and comprehensively know about China in depth. This undoubtedly may bring about a contradiction. On the one hand, Hong Kong and China are inseparable, mainlanders and Hong Kong people will coexist for a long time. On the other hand, some Hong Kong people seem to have made a considerable effort not to accept reality, not to understand China, as I was very surprised to see after I came to Hong Kong. Rationally, the political and economic systems of the Mainland and Hong Kong are radically different, but when the two are inseparable, one would think that Hong Kong people would give serious consideration to any development in the Chinese situation. But the reality is not so. For example, TA KUNG PAO, WEN HUI BAO, and JINGJI DAOBAO, which report a great deal on the Chinese situation, are not read by very many Hong Kong people. I sometimes really do not understand that though carrying on a great volume of economic trade with China, why the Hong Kong people do not understand China's economic policy. I do not understand why the Hong Kong people seem unwilling to know China. What a contradiction! Some Hong Kong people also say that these newspapers are pro-Chinese and pure propaganda. I also agree with this statement. But to know China one

should see some negative reporting as well as some propaganda. Without seeing both, how can one know China in depth? It seems to me that Hong Kong's political weakness undoubtedly is not favorable for moving towards 1997. [passage omitted]

**Maria Tam Wai-chu Analyzes 'Hong Kong Style Democracy'**

40050181a *Hong Kong TA KUNG PAO in Chinese*  
16 Dec 88 p 8

Article: "From Analysis of Three Actual Circumstances of Hong Kong; Tam Wai-chu Discusses Hong Kong Style Democracy; If Pace of Political Model Plan Is Too Fast It May Not Conform to Needs; For Considerations of Quality and Quantity, Democracy Is Not Just One Man-One Vote General Election"]

[Text] Today, Maria Tam Wai-chu (T'an Hui-chu [6223 1920 3796]), member of the Hong Kong Executive and Legislative Councils and member of the Basic Law Drafting Committee said that Hong Kong's democracy should conform to Hong Kong's actual circumstances and in deciding the pace of Hong Kong's democracy in the Basic Law governmental system plan, if the pace is too fast it may not necessarily conform to Hong Kong's needs.

In an interview with a reporter from this agency, Tam Wai-chu said that the so-called "Hong Kong's actual circumstances" first of all refers to the fact that Hong Kong is completely lacking in natural resources and relies entirely on residents voluntarily giving full play to their talent and drive for its development, thus what Hong Kong needs most is a social system and life style which can attract the talent and drive of people with initiative and not rely on welfare, government structure or one man-one vote to tell the government how to allocate resources. Next, Hong Kong needs public opinion and a legal system, investment in education and basic facilities to benefit development of talent. Finally, Hong Kong needs a low tax rate to benefit earning more from more work, so that the individual can control the results of his own labor.

She thinks that on this free land of Hong Kong, the future government should be able to utilize fully the talent resources of Hong Kong. So, Hong Kong's democratic political model should ideally be a political model which favors the election of the highest quality managerial talent (including the administrative head) and not those who try to please the public and seek more votes. That is, the democracy Hong Kong needs is not just one man-one vote general election: a general election is only more "quantity" and there are no certain guarantees of "quality." If it is to guarantee "quality" and guarantee that democracy and livelihood can both be taken into consideration, then the election of the administrative head through the large electoral college is suited to Hong Kong's democratic style.

For election to legislative bodies, a Hong Kong-style democracy's combined election method of general election plus functional group election is better, for this way it has the support of numbers and the guarantees of quality.

However, she emphasized that when it is not possible to have quality and quantity together, quality should come first, and quantity second. By using a large electoral college to elect an administrative head and a mixed election method to elect the legislative bodies, after the people become accustomed to this democratic procedure, a general election system can be implemented once the conditions are ripe.

In discussing Hong Kong's second actual circumstance, Tam Wai-chu said that up to now, Hong Kong has not had democracy, and has not had party and mature political leaders; because the objective environment is limited, most of the present government officials or persons interested in politics cannot join the government; as for most ordinary people, except for governmental bodies, most specialists only treat politics as a topic of after-dinner conversation, but not yet to any great degree; the largest concerns of most of the city's residents are mostly such things as employment, transportation, housing, and education, and they are not enthusiastic about politics. Thus, if democratization of the political model is too fast, it may not meet the actual circumstances of Hong Kong.

Hong Kong's third actual circumstance is that before and after 1997, Hong Kong will experience two governments, and the progress of the democratization of Hong Kong should take this situation into account. Tam Wai-chu pointed out that according to the design of the mainstream plan, the pace of Hong Kong's democracy will be fast. She estimates that by 1995, there will be no appointed representatives at all in the Legislative Council, so in the next seven years, 60 percent of the representatives will be new people and this sharp change is fast. After 1995 it will change even faster, that is, there will be a new government. She estimates that starting when the Basic Law is drawn up, there will be rapid changes in Hong Kong's political system.

**Radical, Moderate Views of Post-1997 Political Model**

40050181b *Hong Kong MING PAO in Chinese*  
22 Dec 88 p 29

[Article by Xu Shixiong 1776 2508 7160, Professor, Department of Botany, Hong Kong University and Member of the Basic Law Advisory Committee: "The Struggle of 'Radical' and 'Moderate'"]

[Text] Since the presentation of the political model "mainstream" plan, there has been another high tide of discussion on the system of government. From articles in the papers, we can see that the focus of the debate is still basically concentrated on whether the development of

the political model should be "radical" or "moderate." Those who support "radical" hope that in the early period of the establishment of the special zone (or before 1997) a high degree of democracy can be implemented immediately, but those who support "moderate" feel that if a high degree of democracy is implemented in the early period after the establishment of the special zone the risks will be too great and thus hope that there will be a period of stability, so that a high degree of democracy can be reached in proper order and step by step. It is not easy to know whether Hong Kong people support the "radicals" or the "moderates" because the overwhelming majority of Hong Kong people seem to have no interest in the issue of the political model.

Although there are considerable differences between the "radicals" and the "moderates" on the issue of the rate of growth of the political model, they all agree that the two groups have never opposed the idea that Hong Kong's political model must ultimately realize a high degree of democracy and that all the residents of Hong Kong must be allowed to enjoy equal political rights.

There are rather more statements by the "radicals" in the papers, thus we will not repeat them here. But for some reason, the views of the "moderates" appear more rarely in the press so we would like to explain the reasons supported by the "moderates" in order that everyone will have a clearer understanding of their viewpoint.

In my view, the "moderates" oppose the rapid realization of a high degree of democracy in the period immediately after the establishment of the special zone is for the following reasons:

#### **True Democracy Is Impossible Before 1997**

1) Lacking experience in engaging in a high degree of democracy. For a long time, Hong Kong has been under English control and has never had a democratic government, thus there is some lack of experience in this area. It appears that in the less than ten-year period before 1997, England will not permit Hong Kong people to realize highly democratic self-government. Even if England was willing to permit Hong Kong to take the road of democracy before 1997 it would only be democracy under English control and manipulation and true democracy could not be realized. Therefore, to realize a high degree of democracy immediately in the initial period of establishing the special zone not only would be doubly difficult technically, but also there would be extraordinarily great risks. This is because immature democracy can easily be controlled by manipulative and fast-talking political opportunists and at that time the cliques and charlatans will create confusion in Hong Kong and after five years will just leave. If such a situation appears what will happen to Hong Kong? To avoid such a situation from occurring in Hong Kong, the safest thing is for democracy to be introduced step by

step and gradually, as they say if you are careful you can sail a ship for ten thousand years and food is always eaten one mouthful at a time.

2) Lacking a social foundation for democracy. Everyone knows clearly that the political consciousness of Hong Kong people is fairly weak. A slight disturbance in politics frightens or startles Hong Kong people. If a variety of political confrontations or struggles constantly appear in the early period of the establishment of the special zone, then it will be difficult for Hong Kong to have peace, investors will be scared away, and there will be no way to maintain the prosperity and stability of Hong Kong. Thus, while the political awareness of Hong Kong people is not fully mature, to subjectively make reckless moves and insist on charging the pass, engaging in democracy in great leap-style is pretty risky. Hasn't China suffered in recent history from being eager for quick success and instant profit? It took foreign countries several decades or even a hundred years before they were able to establish a high degree of democracy, so what chance is there for us to create it in a short few years? History has told us again and again that if a reform is to be successful it cannot be too radical, otherwise, divorced from the conditions of objective development and social reality, it will result in defeat.

#### **Capitalists' Political Rights Should Be Guaranteed**

3) It will be difficult for democracy to succeed without the participation of capitalists. In the area of distribution of social rights, as a capitalist society, it is quite natural that Hong Kong capitalists to hold a dominant position. Therefore, in the design of a political model, it is necessary to ensure the rights of capitalists in politics.

Under the long-term rule of England, Hong Kong used the appointment system to insure the rights of Hong Kong capitalists politically. After the establishment of the special zone, the appointment system in politics will be abolished and this necessitates the adoption of appropriate measures in the design of the political model after 1997 to ensure that Hong Kong capitalists still can participate in government and not be excluded from the political model. However, if the high degree of democracy method is used, in a short time it will be very difficult to ensure that Hong Kong capitalists have the opportunity to enter the political model. This is because in a short period of time it will be very difficult for Hong Kong's capitalists to organize and through such activity as democratic competition to establish a definite power as a counterbalance to the other grassroots level forces that have arisen. Some people think that Hong Kong capitalists have money and influence and want to have a definite superiority in elections. I cannot agree with this statement. This is because Hong Kong, unlike other democratic countries, is small and elections do not require so much money, thus having money does not necessarily mean that superiority can be established, but that capitalists must be considered in designing the system of government. The similar method of granting

special privileges to certain social classes also exists in other democracies. For example, in Australia, special political consideration is granted to the farmer class because the farming population of Australia is small, thus in the distribution of political rights it is necessary to allocate some to them. Only in this way can the interests of the farming class be guaranteed. Of course, this method is somewhat unfair as it violates the principle of equal rights. However, taking into account historical and current factors, such a method may at times be unavoidable. To grant capitalists more political rights in the design of Hong Kong's political model is a wise and moderate method, because otherwise they might lose interest in participating in the government and leave Hong Kong. How could Hong

Kong's prosperity and stability be then ensured? We can also see in the Basic Law that the Central Government grants the Chinese citizens of Hong Kong more rights than the Chinese citizens of the interior. We can only hope that the Chinese people of the interior can understand and accept this unfairness and this violation of the principle of equality because only in this way can "one country, two systems" succeed. If the principle of equal rights must definitely be upheld, then not only will there be no way to write the Basic Law, but there is also no way to implement "one country, two systems." Therefore, with regard to the issue of the principle of equality, we can only handle with a realistic attitude and cannot view it in terms of theory or absolutism.

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